



**SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS
LIMITED**

(Incorporated in Bermuda with limited liabilities)

Website: <http://www.seawood.com.hk>

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2001**

FINANCIAL RESULTS

The Board of Directors (the "Directors") of South East Asia Wood Industries Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2001.

Condensed Consolidated Profit and Loss Account

	<i>Notes</i>	Six months ended 30 June	
		2001	2000
		(Unaudited)	(Unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	15,717	32,056
Cost of sales		(16,219)	(32,756)
Gross loss		(502)	(700)
Other revenue		8,497	143
Selling and distribution expenses		(206)	(650)
Administrative expenses		(9,595)	(11,777)
Other operating expenses		(12)	(59)
LOSS FROM OPERATING ACTIVITIES		(1,818)	(13,043)
Finance costs		(1)	(72)

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LOSS BEFORE TAX		(1,819)	(13,115)
Tax	3	8,551	-
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS		6,732	(13,115)
EARNINGS/(LOSS) PER SHARE - BASIC	4	HK0.34 cents	HK (10.93 cents)

There are no recognized gains or losses other than the profit for the period.

Notes to Condensed Consolidated Financial Statements

1. Accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention and in accordance with HK Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting", except that in the first year of implementation of SSAP No.25, as permitted by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, no comparative figures have been presented for the consolidated cash flow statement. The accounting policies adopted are consistent with those used in the Group's annual financial statements for the year ended 31 December 2000.

2. Segmental information

An analysis of the Group's turnover and contribution to loss from operating activities by principal activities and geographical area of sales markets is as follows:

	Turnover		Contribution to loss from operating activities	
	Six months ended 30 June		Six months ended 30 June	
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
By principal activity:				
Manufacture and sale of plywood	10,890	4,724	(804)	(1,922)
Manufacture and sale of fancy plywood	4,827	27,332	(1,014)	(11,121)
	15,717	32,056	(1,818)	(13,043)
By geographical area:				
PRC	15,512	31,184	(1,794)	(12,688)
Others	205	872	(24)	(355)
	15,717	32,056	(1,818)	(13,043)

3. Tax

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	Six months ended 30 June	
	2001	2000
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overprovision in prior years	8,551	-

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the period (six months ended 30 June 2000: Nil).

A group company operating in the PRC is exempt from income tax for two years starting from its first profitable year of operation and is entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. No provision for tax has been made as this group company did not generate any assessable profits arising in the PRC during the period.

Deferred tax has not been provided for as there were no significant timing differences at the balance sheet date.

4. Earnings/(Loss) per share

On 26 June 2001, every five issued and unissued shares of HK\$0.01 each in the share capital of the Company was consolidated into one share of HK\$0.05 each (the "Consolidated Shares"). The calculation of the basic earnings per share is based on the unaudited net profit attributable to shareholders for the six months ended 30 June 2001 of HK\$6,732,000 (six months ended 30 June 2000: loss of HK\$13,115,000) and the weighted average of 1,985,193,370 Consolidated Shares (six months ended 30 June 2000: 120,000,000 Consolidated Shares) in issue during the period.

The diluted earnings per share are not shown because there is no dilution impact for the period (six months ended 30 June 2000: Nil).

INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 30 June 2001 (six months ended 30 June 2000: Nil).

BUSINESS REVIEW AND PROSPECT

The first half of the year was a period of business repositioning for the Group. The management has been putting every effort to strengthen its core business and reinforce its brand name. To

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overcome the fiercely competitive market and to respond to the acute price pressure, the Group implemented new pricing strategies and adjusted its product mix to maintain its market penetration. Whilst putting tight control on the cost, great emphasis has been placed on the product quality.

The operating environment of the wood industry was difficult. The decrease in turnover was caused by the intensified market competition in plywood products, coupled with the continuous decline in demand since last year. The management anticipates growth in the demand in the second half of the year. It looks forward to benefiting from the opening up of untapped markets in the mainland following PRC's imminent accession to the World Trade Organization.

The Group continues to pursue active developments in its core business. One of its initiatives is product reengineering. To expand its market share in the industry and to satisfy the customers' demand and requirements, the Group is formulating a program to expand its production capabilities and diversify its products, revenue and customer base in the year ahead. It is also exploring manufacturing and trading opportunities of timber products in the hope to command a higher profit margin.

To enhance the growth potential of the Group in the long run, the Directors have been forming strategic alliance with strong partners and working hard in business rationalization and diversification. New director with expertise in forestry industry has joined the management. The Directors are actively identifying investment opportunities.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group obtained new funds by issuing shares to the controlling shareholder following a placement to an independent investor by the controlling shareholder. The net proceeds of HK\$146.7 million were used for general working capital purposes. The independent investor subsequently made available to an indirect wholly owned subsidiary of the Company a loan of HK\$1,000 million (the "Facility"). The Facility is guaranteed by the Company and shall only be used for funding a specific investment opportunity (the "Proposed Investment"). Other than this, the Group was free from bank borrowings at the end of June 2001.

The Facility has been fully drawn and the proceeds have been deposited in a designated bank account intact pending the Proposed Investment. As at 30 June 2001, the cash balance (excluding the proceeds of the Facility) was HK\$154.0 million. The Directors are comfortable that there is sufficient cash to satisfy working capital needs and other financing requirement.

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EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2001, the Group had around 400 full time employees.

The Group remunerated its employees mainly based on the industry practice, individual's performance and experience. Payments to them remain highly competitive. On top of regular remuneration, discretionary bonus, profit sharing and share option may be granted to eligible staff by reference to the Group's performance as well as individual's performance. Other benefits, such as medical and retirement benefits, are also provided.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company, its holding company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2001.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

In the opinion of the Directors, the Company has complied with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms but are subject to retirement by rotation in accordance with the Company's bye-laws.

PUBLICATION OF INTERIM REPORT

The 2001 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board

Peter Kwok Viem

Chairman

Hong Kong, 31 August 2001

Please also refer to the published version of this announcement in the Hong Kong iMail Post dated 03/09/2001