



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)
Website: <http://www.seawood.com.hk>

PROPOSED ISSUE OF CONVERTIBLE LOAN NOTES POSSIBLE WHITEWASH WAIVER INCREASE IN AUTHORISED SHARE CAPITAL

Pursuant to a conditional subscription agreement dated 24 November 2001 and subject to the terms set out therein, South East Asia Wood Industries Holdings Limited (the "Company") has agreed to issue and Keentech Group Limited has agreed to subscribe for HK\$1,000,000,000 redeemable floating rate convertible loan notes due one year from the date of their issue. The convertible loan notes will carry the right to convert into ordinary shares of HK\$0.05 each ("Shares") of the Company at a conversion price of HK\$0.85 per Share.

Based on a conversion price of HK\$0.85 per Share, the principal amount of the convertible loan notes are convertible into approximately 1,176,470,588 Shares representing about 55.49 per cent. of the existing issued share capital of the Company and about 35.69 per cent. of the issued share capital of the Company as enlarged by the issue of such Shares following conversion.

At the request of the Company, trading in the Shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") was suspended from 10:00 a.m. on 26 November 2001 pending the release of this announcement. Application has been made by the Company to resume trading in the Shares on the Stock Exchange at 10:00 a.m. on 28 November 2001.

Introduction

Reference is made to the announcement dated 24 May 2001 by the Company regarding, amongst other things, (1) the provision of a loan of HK\$1,000,000,000 (the "Loan") by Keentech Group Limited (the "Subscriber") to Maxpower Resources Limited ("Maxpower"), an indirect wholly owned subsidiary of the Company and (2) a possible issue of convertible bonds.

The directors of the Company (the "Directors") wish to announce that on 24 November 2001 the Company entered into a conditional subscription agreement (the "Subscription Agreement") with the Subscriber for the subscription by the Subscriber, and the issue by the Company, of HK\$1,000,000,000 redeemable floating rate convertible loan notes (the "Convertible Loan Notes") due one year from the date of their issue (the "Issue Date"). The Convertible Loan Notes are convertible into Shares.

Principal Terms of the Convertible Loan Notes

Issuer	South East Asia Wood Industries Holdings Limited
Subscriber	Keentech Group Limited, a company incorporated in the British Virgin Islands and a wholly owned subsidiary of China International Trust and Investment Corporation. Keentech Group Limited and its ultimate beneficial owner are independent third parties not connected with the Company nor associated with any director, the chief executive or substantial shareholder (as such expressions are defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) of the Company.
Principal Amount	HK\$1,000,000,000
Interest	The prevailing rate for a one-month fixed time deposit as quoted by CITIC Ka Wah Bank Limited in Hong Kong, calculated on a per annum basis, on the principal amount of the Convertible Loan Notes outstanding from time to time.
Conversion Price	HK\$0.85 per Conversion Share, as adjusted from time to time pursuant to certain adjustment events including, amongst others, an alteration to the nominal amount of the Shares as a result of a consolidation, reclassification or subdivision, the issue of Shares by way of capitalisation of profits or reserves, the payment of a capital distribution to shareholders, the issue of Shares or other securities by way of rights, options or warrants or upon conversion in certain circumstances.
Conversion Period	The Convertible Loan Notes are convertible at any time from the Issue Date and up to the close of business on the seventh business day preceding the first anniversary of the Issue Date. The Subscriber has agreed that, in certain circumstances described below in the section headed "Mandatory Conversion of the Convertible Loan Notes", all or part of the Convertible Loan Notes may be automatically converted into Shares.
Redemption	The Subscriber may require the Company to redeem the Convertible Loan Notes upon notice. However, pursuant to the terms of the Subscription Agreement, the Subscriber has agreed that during the period of 90 days from the Issue Date, the Subscriber shall not require the Company to redeem any of the Convertible Loan Notes except in certain circumstances including, amongst others, where the Company agrees with the Subscriber that Maxpower (or other company nominated by the Company) will not proceed with the Proposed Investment (as defined below) and any acquisition agreement relating to the Proposed Investment is terminated after having been entered into by Maxpower (or other company nominated by the Company).
Application for Listing	The Convertible Loan Notes will not be listed on the Stock Exchange or any other stock exchange. An application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Shares which will be issued on the conversion of the Convertible Loan Notes.
Transferability	Subject to all applicable laws and regulations including those of the Stock Exchange; the Convertible Loan Notes may be transferred, in whole or in part to any party. However, under the terms of the Subscription Agreement, the Subscriber has agreed that during the period of 90 days from the Issue Date it will not transfer any of the Convertible Loan Notes.

Comparison of the Conversion Price

The Conversion Price, HK\$0.85 per Share, represents:

- a discount of about 22.02 per cent. to the closing price of HK\$1.09 per Share as quoted on the Stock Exchange on 23 November 2001, being the trading day immediately prior to the date of the Subscription Agreement; and
- a discount of about 19.96 per cent. to the average closing price of HK\$1.062 per Share as quoted on the Stock Exchange for the 10 trading days immediately prior to 23 November 2001.

Convertible Shares

Assuming a conversion price of HK\$0.85 per Share, the aggregate principal amount of the Convertible Loan Notes of HK\$1,000,000,000 are convertible into approximately 1,176,470,588 Shares ("the Conversion Shares") representing about 55.49 per cent. of the existing issued share capital of the Company and about 35.69 per cent. of the issued share capital of the Company as enlarged by the issue of the Conversion Shares but without taking into account any Shares which may fall to be issued under any share options granted by the Company under the employee share option scheme or otherwise. The Conversion Shares will rank pari passu and carry the same rights and privileges in all respects as other Shares in issue.

As at the date of this announcement, the Subscriber is interested in 188,918,000 Shares representing about 8.91 per cent. of the issued share capital of the Company. If 1,176,470,588 Conversion Shares are issued (and without taking account of any other Shares that may be issued under any employee share option scheme or otherwise), the number of issued Shares will be 3,296,470,588 Shares. In such event, the Subscriber would hold 1,365,388,588 Shares (representing about 41.42 per cent. of the enlarged issued share capital of the Company) and the existing controlling shareholder of the Company, United Star International Inc., would hold 1,440,000,000 Shares (representing about 43.68 per cent. of the enlarged issued share capital of the Company).

Payment of the Convertible Loan Notes and redemption of the Loan

The Company and the Subscriber have agreed that the Convertible Loan Notes will be issued in lieu of the repayment and in full satisfaction and settlement of the Loan.

Use of the proceeds

The proceeds from the issue of the Convertible Loan Notes shall be used wholly for funding an investment opportunity (the "Proposed Investment") by Maxpower (or any company nominated by the Company) as stated in the Subscription Agreement. No binding agreement or commitment has been entered into by Maxpower (or any company nominated by the Company) in respect of the Proposed Investment.

Mandatory Conversion of the Convertible Loan Notes

Subject to compliance with the public float requirements of the Listing Rules or as otherwise permitted by the Stock Exchange and the granting of the Whitewash Waiver (as defined below), the Subscriber and the Company have agreed that the Convertible Loan Notes shall be mandatorily and automatically converted into Shares on the occurrence of either of the following events:

- upon the signing of any acquisition agreement relating to the Proposed Investment; and
- in the event any monies to be used to fund the acquisition of the Proposed Investment are raised by way of the issue of new Shares by way of a placing.

The Subscription Agreement

Completion of the Subscription Agreement is conditional upon, amongst others, the following conditions being satisfied by 31 January 2002:

- the approval of shareholders of the Company for the issue of the Convertible Loan Notes and the Conversion Shares;
- the Executive Director of the Corporate Finance Division (the "Executive") of the Securities and Futures Commission (1) confirming or ruling that the

execution and performance of the Subscription Agreement and the allotment and issue of the Conversion Shares such that the percentage shareholding of the Subscriber and parties acting in concert with it in Shares is less than 30 per cent. of all the Shares in issue at such time and hence will not trigger a mandatory obligation to make a general offer under the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") for all other Shares in issue at such time, or at the election of the Subscriber (2) granting the Subscriber a waiver (as envisaged by Note 1 of the Notes on dispensations from Rule 26.1 of the Takeovers Code) from any obligation to make a mandatory general offer for the outstanding Shares of the Company under Rule 26.1 of the Takeovers Code arising from the conversion of the Convertible Loan Notes such that the Subscriber's percentage shareholding in the Shares would exceed 30 per cent. of all Shares in issue at such time;

- the granting of the approval of the Listing Committee of the Stock Exchange to the listing of, and permission to deal in, the Conversion Shares; and

- if required, the approval from the Bermuda Monetary Authority in respect of the issue of the Convertible Loan Notes, and, if applicable, the issue of the Conversion Shares.

In the event that the conditions referred to above are not satisfied (or waived, as the case may be) by 31 January 2002, then all rights and obligations of the parties to the Subscription Agreement will cease and determine and no party will have a claim against the other except in respect of any antecedent breach.

Completion of the Subscription

Completion of the subscription and issue of the Convertible Loan Notes shall take place on the third business day following satisfaction (or waiver, as the case may be) of all conditions precedent contained in the Subscription Agreement as referred to above.

The Whitewash Application

As at the date of this announcement, the Subscriber and parties acting in concert with it are interested in 188,918,000 Shares representing about 8.91 per cent. of the existing issued share capital of the Company. Assuming full conversion of the Convertible Loan Notes and the issue of 1,176,470,588 Conversion Shares, the Subscriber and parties acting in concert with it shall, immediately on completion of such conversion, hold an aggregate of about 41.42 per cent. of the share capital of the Company as enlarged by the issue of such Conversion Shares (based on the number of Shares in issue as at the date of this announcement). Such shareholding would represent more than 30 per cent. of the issued share capital of the Company at such time. Under the Takeovers Code, upon such completion of the conversion of the Convertible Loan Notes and the allotment and issue of the Conversion Shares, the Subscriber and parties acting in concert with it would be obliged to make a mandatory general offer to purchase all existing issued Shares other than those held by the Subscriber and parties acting in concert with it.

An application will be made by the Subscriber and parties acting in concert with it to the Executive for a waiver ("Whitewash Waiver") from the mandatory obligation to make a general offer for all the existing issued Shares not otherwise held by the Subscriber and parties acting in concert with it pursuant to Note 1 of the Notes on dispensation from Rule 26 of the Takeovers Code. In the event that (1) the Whitewash Waiver is not granted by the Executive or granted but not approved by the shareholders who are not involved in, or interested in, the Subscription Agreement, the issue of the Convertible Loan Notes and any Shares following conversion of such notes (the "Independent Shareholders") at the Special General Meeting referred to below, and (2) the confirmation is not given by the Executive that the Subscriber and parties acting in concert with it will not trigger a mandatory obligation to make a general offer if their aggregate percentage shareholding is less than 30 per cent. following the issue of any Conversion Shares, the issue of the Convertible Loan Notes will not complete unless the condition referred to in paragraph (B) of the section headed "The Subscription Agreement" is waived by the Subscriber. The Subscriber has confirmed that in the event that the Whitewash Waiver is not granted, it would be prepared to waive the relevant condition in order that the issue of the Convertible Loan Notes could proceed but would only convert such principal amount of the Convertible Loan Notes as would result in the Subscriber and parties acting in concert with it holding Shares representing less than 30 per cent. of the issued share capital of the Company from time to time.

If the Whitewash Waiver is granted by the Executive and approved by the Independent Shareholders at the Special General Meeting, the shareholdings of the Subscriber and parties acting in concert with it in the Company will represent about 41.42 per cent. of the enlarged share capital of the Company immediately following, and assuming, full conversion of the Convertible Loan Notes.

Public Float

The Company and its controlling shareholder, United Star International Inc, which at the date of this announcement is interested in 1,440,000,000 Shares (representing about 67.92 per cent of the issued share capital of the Company) have undertaken to the Stock Exchange that, in the event the number of Shares held by the public should fall below 25 per cent. of the issued share capital of the Company following the conversion of the Convertible Loan Notes and the allotment and issue of the Conversion Shares as described above, they will use their best commercial efforts to ensure that the number of Shares held by the public shall satisfy the requirements of Rule 8.08 of the Listing Rules. If the Stock Exchange permits trading in Shares when the number of Shares comprised in the public float is less than the minimum percentage threshold permitted by the Listing Rules, the Stock Exchange will monitor such trading closely to ensure that a false market does not develop in the Shares and will suspend dealings in Shares promptly if there is any unusual price movements in the Shares. A further announcement will be made by the Company as and when appropriate regarding the method adopted to satisfy Rule 8.08 of the Listing Rules.

Increase in Authorised Share Capital

As at the date of this announcement, the authorised share capital of the Company is HK\$200,000,000 divided into 4,000,000,000 Shares of which 2,120,000,000 Shares are in issue. The Directors propose to increase the authorised ordinary share capital of the Company from HK\$200,000,000 to HK\$300,000,000 by the creation of an additional 2,000,000,000 Shares.

Special General Meeting

A special general meeting (the "Special General Meeting") of the Company will be convened at which the shareholders of the Company or the Independent Shareholders (as the case may be) will be asked to consider and, if thought fit, approve the Subscription Agreement and the issue of the Convertible Loan Notes, the issue of the Conversion Shares, the Whitewash Waiver and the increase in the authorised share capital.

Despatch of Circular to Shareholders

A circular containing, amongst other things, details of the subscription and issue of the Convertible Loan Notes, the increase in the authorised share capital of the Company, the Whitewash Waiver and notice of the Special General Meeting will be despatched to shareholders of the Company as soon as practicable.

Resumption of trading in Shares

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 10:00 a.m. on 26 November 2001 pending the release of this announcement. Application has been made by the Company to resume trading in the Shares on the Stock Exchange at 10:00 a.m. on 28 November 2001.

Shareholders and investors are asked to note that the Company is still in discussions with regard to the Proposed Investment and no binding agreement or commitment has been entered into by the Company (or any company nominated by the Company) in respect of the Proposed Investment. If such discussions are not successfully concluded, the Proposed Investment will not materialise. The Company shall issue a further announcement or announcements as and when appropriate. In the meantime, shareholders and investors are advised to exercise caution when dealing in Shares.

By Order of the Board
South East Asia Wood Industries Holdings Limited
Peter Kwok Viem
Chairman

Hong Kong, 27 November 2001

The directors of the Company jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than information relating to the Subscriber and China International Trust and Investment Corporation) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.

The directors of the Subscriber jointly and severally accept full responsibility for the accuracy of information contained in this announcement (other than information relating to the Company and Maxpower) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any statement in this announcement misleading.