South East Asia Wood Industries Holdings Limited

SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

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

VERY SUBSTANTIAL ACQUISITION – PROPOSED ACQUISITION OF A 35% INTEREST IN FLETCHER CHALLENGE FORESTS LIMITED

On 17 June 2002, the Company entered into:

- the Share Subscription Agreement with Fletcher by which it agreed to subscribe for the Subscription Shares; and
- the Share Purchase Agreement with the Vendor by which it agreed to purchase the Sale Shares.

On the settlement of the issue of the Subscription Shares pursuant to the Share Subscription Agreement and completion of the Share Purchase Agreement, the Company will own a 35% interest in the share capital of Fletcher. The Share Subscription Agreement and the Share Purchase Agreement are subject to various conditions as detailed below.

The aggregate of the subscription monies payable under the Share Subscription Agreement and the purchase price payable under the Share Purchase Agreement is approximately HK$1,744 million which will be paid in cash on settlement. The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and accordingly, the Share Subscription Agreement and the Share Purchase Agreement will be subject to the approval of the Independent Shareholders at the SGM at which United Star, Keentech and their concert parties shall abstain from voting.

On 17 June 2002, a wholly-owned subsidiary of Fletcher entered into the CNIFP Agreement by which it agreed to purchase all the assets of CNIFP (subject to conditions). The aggregate of the consideration payable under the CNIFP Agreement is estimated at approximately US$650 million (approximately HK$5,070 million), which will be paid in cash on settlement.

Following the Full Conversion, the public shareholding has reduced to less than 25% of the total Shares in issue. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the minimum 25% public float requirement of the Listing Rules for a period of one month following the date of this announcement (or such other period as allowed by the Stock Exchange). **If the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, it will give consideration to exercising its discretion to suspend trading in the Shares.**

A circular containing, amongst other things, information on the Share Subscription Agreement and the Share Purchase Agreement, and notice of the SGM will be despatched to Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 17 June 2002 pending the release of this announcement. Application has been made by the Company to resume trading in the Shares on the Stock Exchange at 9:30 a.m. on 1 August 2002.

INTRODUCTION

Reference is made to the announcements (the "Announcements") dated 27 November 2001, 17 December 2001, 5 January 2002, 22 January 2002 and 29 July 2002 and the circular despatched to the Shareholders on 5 January 2002 by the Company. Completion of the subscription and issue of the Convertible Loan Notes which were issued pursuant to the Subscription Agreement took place on 25 January 2002. As mentioned in the circular of the Company dated 5 January 2002, the proceeds from the issue of the Convertible Loan Notes shall be used (a) to the extent not already converted, for redeeming the Convertible Loan Notes; and (b) for general corporate purposes and to fund investments that the Directors consider to be in the interests of the Company. As mentioned in the announcement of the Company dated 29 July 2002, the Full Conversion took place by 25 June 2002 after CITIC, the parent of Keentech, undertook to the Company to procure the conversion of the Convertible Loan Notes by Keentech within 45 days from 30 May 2002.

The Directors wish to announce that on 17 June 2002 the Company entered into the Share Subscription Agreement and the Share Purchase Agreement. Subject to completion of the Share Subscription Agreement and the Share Purchase Agreement, the Company will hold 35% of the voting rights of Fletcher.

SHARE SUBSCRIPTION AGREEMENT DATED 17 JUNE 2002

Parties

Issuer:	Fletcher, the shares of which are listed on the New Zealand, Australian and New York stock exchanges, is in the business of supplying solid wood products. Fletcher is an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates.
Subscriber:	the Company or its wholly-owned subsidiary

Shares to be subscribed

Pursuant to the Share Subscription Agreement, the Company has conditionally agreed to subscribe for the Subscription Shares.

Consideration

The subscription price per Subscription Share is NZ$0.37 (approximately HK$1.41) and the total subscription price payable under the Share Subscription Agreement is US$200 million (approximately HK$1,560 million). The subscription price was negotiated and agreed on an arm's length basis between Fletcher and the Company having regard to the unaudited net asset value of approximately NZ$0.39 per share of Fletcher as at 31 December 2001. The subscription price per Subscription Share represents:

(i) a premium of approximately 48.0% and 48.0% over the respective closing price of NZ$0.250 per ordinary share and NZ$0.250 per preference share in Fletcher as at 14 June 2002, being the last trading date prior to the signing of the Share Subscription Agreement;

(ii) a premium of approximately 45.1% and 49.2% over the respective 10-day average closing price of NZ$0.255 per ordinary share and NZ$0.248 per preference share in Fletcher up to and including 14 June 2002;

(iii) a discount of approximately 5.1% to the unaudited net asset value of approximately NZ$0.39 per share of Fletcher as at 31 December 2001; and

(iv) a discount of approximately 11.9% to the unaudited net asset value of approximately NZ$0.42 per share of Fletcher as at 30 June 2002.

The Company will pay the consideration in cash on the date of completion of the Share Subscription Agreement.

Conditions

Pursuant to the Share Subscription Agreement, the obligations of Fletcher and the Company are conditional, amongst other things, on:

(A) a special resolution of the shareholders of Fletcher approving any amendments to Fletcher's constitution as to a casting vote for the chairman, rights to appoint alternate directors and rights to appoint directors as contemplated by Rule 3.3.5 of the New Zealand Listing Rules as contemplated and if required by the Governance Deed;

(B) an ordinary resolution of the shareholders of Fletcher and (if required) of the holders of each class of shares of Fletcher approving the proposed issue of the Subscription Shares;

(C) a resolution of the Shareholders (subject to the section headed "Voting at the SGM" below) approving the proposed subscription for the Subscription Shares;

(D) the granting of all necessary and required consents under the Overseas Investment Regulations 1995 of New Zealand in respect of the issue of the Subscription Shares to the Company or its nominee; and

(E) the receipt of confirmation from the purchaser and vendor under the CNIFP Agreement that the CNIFP Agreement will complete contemporaneously.

Completion

Completion of the Share Subscription Agreement is conditional upon completion of the Share Purchase Agreement and the CNIFP Agreement. Settlement of the transaction contemplated by the Share Subscription Agreement will take place (subject to escrow arrangements agreed between the parties to be effected by 29 August 2002) on the date of closing of the CNIFP Agreement (which is expected to be 27 September 2002).

SHARE PURCHASE AGREEMENT DATED 17 JUNE 2002

Parties

Vendor:	Rubicon Forests Holdings Limited, the existing largest shareholder of Fletcher, is a company incorporated in 2001 in New Zealand with limited liability and a wholly-owned subsidiary of Rubicon. Rubicon is a company incorporated in 2001 in New Zealand the shares of which are listed on the New Zealand Stock Exchange since 2001 and holds investments in emerging international forestry biotechnology businesses. The Vendor and Rubicon are independent third parties not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates.
Purchaser:	the Company or its wholly-owned subsidiary

Shares to be acquired

Pursuant to the Share Purchase Agreement, the Company has conditionally agreed to acquire the Sale Shares from the Vendor.

Consideration

The purchase price per Sale Share is NZ$0.37 (approximately HK$1.41), which is the same as the subscription price per Subscription Share. The total consideration payable under the Share Purchase Agreement is approximately NZ$48.5 million (approximately HK$184 million). The purchase price was negotiated and agreed on an arm's length basis between the Vendor and the Company having regard to the unaudited net asset value of approximately NZ$0.39 per share of Fletcher as at 31 December 2001. The purchase price per Sale Share represents:

(i) a premium of approximately 48.0% and 48.0% over the respective closing price of NZ$0.250 per ordinary share and NZ$0.250 per preference share in Fletcher as at 14 June 2002, being the last trading date prior to the signing of the Share Purchase Agreement;

(ii) a premium of approximately 45.1% and 49.2% over the respective 10-day average closing price of NZ$0.255 per ordinary share and NZ$0.248 per preference share in Fletcher up to and including 14 June 2002;

(iii) a discount of approximately 5.1% to the unaudited net asset value of approximately NZ$0.39 per share of Fletcher as at 31 December 2001; and

(iv) a discount of approximately 11.9% to the unaudited net asset value of approximately NZ$0.42 per share of Fletcher as at 30 June 2002.

The Company will pay the consideration in cash on the date of completion of the Share Purchase Agreement.

Conditions

Pursuant to the Share Purchase Agreement, the obligations of the Vendor and the Company are conditional, amongst other things, on:

(A) if required, the passing by the shareholders of the Vendor and of Rubicon of a resolution approving the entry into and performance of the Share Purchase Agreement by the Vendor;

(B) the passing by the Shareholders (subject to the section headed "Voting at the SGM" below) of a resolution approving the entry into and performance of the Share Purchase Agreement by the Company;

(C) the Company obtaining consent to the transactions contemplated by the Share Purchase Agreement pursuant to the Overseas Investment Regulations 1995 of New Zealand; and

(D) the receipt of confirmation from the purchaser and the vendor under the CNIFP Agreement that the CNIFP Agreement will complete contemporaneously.

Completion

Completion of the Share Purchase Agreement is conditional upon completion of the Share Subscription Agreement and the CNIFP Agreement. Settlement of the transaction contemplated by the Share Purchase Agreement will take place (subject to escrow arrangements agreed between the parties to be effected by 29 August 2002) on the date of closing of the CNIFP Agreement (which is expected to be 27 September 2002).

VOTING AT THE SGM

The Acquisition is conditional, amongst other things, on the passing by the Independent Shareholders at the SGM of resolutions approving the entry into and performance of the Share Subscription Agreement and the Share Purchase Agreement by the Company. At the SGM, United Star, Keentech and their concert parties shall abstain from voting in respect of such resolution.

GOVERNANCE DEED

Upon completion of the Share Subscription Agreement and the Share Purchase Agreement, the Company shall enter into the Governance Deed pursuant to which the Company will agree to a two-year standstill period as from the date of closing of the CNIFP Agreement during which it will not bid for additional shares in Fletcher, except in exceptional circumstances, without the prior approval of Fletcher's independent directors or shareholders. These circumstances include the right to contest any third party takeover bid for Fletcher.

INFORMATION ON FLETCHER

Fletcher was incorporated in 1980 in New Zealand with limited liability and has been listed on the New Zealand Stock Exchange since 1981, the Australian Stock Exchange Limited since 1985, and the New York Stock Exchange, Inc. since 1993. Fletcher is a forest owner and a leader in solid wood Radiata plantation forestry with integrated manufacturing and distribution channels for supplying solid wood products to consumers in New Zealand, Australia, the United States and throughout Asia. Fletcher also supplies logs to industrial customers throughout the Pacific Rim. All of the products of Fletcher are sourced from intensively managed, renewable plantations. Fletcher manages approximately 278,000 net stocked hectares of fast growing, environmentally certified plantation forest of which 110,000 net stocked hectares is owned estate. The managed estate includes about 162,000 hectares of the CNIFP forests. The processing operations include seven sawmilling and remanufacturing facilities, all in the central North Island of New Zealand.

Fletcher adopts the New Zealand general accepted accounting practice to prepare its financial statements. The following table sets out certain financial information of Fletcher as stated in its published financial statements:

	For the year ended /as at 30 June 2000 *(Audited)*	For the year ended /as at 30 June 2001 *(Audited)*	For the year ended /as at 30 June 2002 *(Unaudited)*
Earnings/(loss) before taxation	NZ$35 million (approximately HK$133 million)	(NZ$1,657 million) (approximately (HK$6,297 million))	(NZ$249 million) (approximately (HK$946 million))
Net earnings/(loss) after taxation and minority interest	NZ$382 million (approximately HK$1,452 million)	(NZ$107 million) (approximately (HK$407 million))	(NZ$254 million) (approximately (HK$965 million))
Net assets	NZ$7,263 million (approximately HK$27,599 million)	NZ$1,399 million (approximately HK$5,316 million)	NZ$1,138 million (approximately HK$4,324 million)

As at 14 June 2002, there were a total of 1,859.0 million preference shares and 929.5 million ordinary shares issued in Fletcher. The following table illustrates Fletcher's shareholding structure before and after completion of the Acquisition and the share buy-back (see Note 2 below):

	Number of preference shares (Note 3)	*%*	*Number of ordinary shares*	*%*	*Total*	*%*
Before completion of the Acquisition						
The Vendor	417,148,663	22.44	75,000,000	8.07	492,148,663	17.65
Xylem Investment G.P., Inc. *(Note 1)*	135,503,788	7.29	67,751,894	7.29	203,255,682	7.29
Public	1,306,363,343	70.27	786,756,003	84.64	2,093,119,346	75.06
TOTAL	1,859,015,794	100.00	929,507,897	100.00	2,788,523,691	100.00
After completion of the Acquisition						
The Company	870,277,587	37.54	369,600,369	30.19	1,239,877,956	35.00
The Vendor *(Note 2)*	6,255,461	0.27	–	–	6,255,461	0.18
Xylem Investments G.P., Inc. *(Note 1)*	135,503,788	5.84	67,751,894	5.54	203,255,682	5.74
Public	1,306,363,343	56.35	786,756,003	64.27	2,093,119,346	59.08
TOTAL	2,318,400,179	100.00	1,224,108,266	100.00	3,542,508,445	100.00

Note:

1. *Xylem Investments G.P., Inc. is a Boston-based fund manager and an independent third party not connected with the Company, the directors, chief executive, substantial shareholders of the Company or its subsidiaries or their respective associates.*
2. *Under a share buy-back agreement dated 17 June 2002 executed between the Vendor and Fletcher, Fletcher has agreed to buy back from the Vendor a total of (i) 279,816,354 preference shares and (ii) 75,000,000 ordinary shares in the share capital of Fletcher at a price of NZ$0.37 per share. Upon the completion of this share buy-back agreement (which is expected to be 27 September 2002), the relevant preference shares and ordinary shares in the share capital of Fletcher so bought back shall be cancelled.*
3. *The preference shares in the capital of Fletcher have the same rights as, and rank equally with, the ordinary shares of Fletcher except that, in the event of a liquidation of Fletcher, (i) the preference shares rank ahead, to the amount of NZ$0.25 per preference share, of the ordinary shares, and (ii) the ordinary shares rank ahead, for the next NZ$0.25 per ordinary share, of the preference shares and (iii) thereafter holders of preference shares and ordinary shares share equally. Holders of preference shares in Fletcher vote with holders of ordinary shares in Fletcher on all matters except a vote relating to the liquidation of Fletcher. The rights of preference shares shall lapse on 15 December 2005, whereupon the preference shares shall have identical rights to the ordinary shares.*

THE CNIFP AGREEMENT

On 17 June 2002, Kaingaroa Timber Company Limited, a wholly-owned subsidiary of Fletcher, entered into the CNIFP Agreement by which it agreed to purchase all the assets of CNIFP, subject to the satisfaction of various conditions. Pursuant to the CNIFP Agreement, the assets of CNIFP are to be acquired for the sum of the senior secured debt of CNIFP on the date of settlement (estimated at approximately US$645 million (approximately HK$5,031 million)) and the costs of the receivership of CNIFP of US$5 million (approximately HK$39 million) plus GST (if applicable), which will be paid in cash on settlement.

The funding arrangements for the purchase of all the assets of CNIFP under the CNIFP Agreement are expected to be as follows:

(1) as to US$200 million, from the issue of the Subscription Shares to the Company under the Share Subscription Agreement; and

(2) as to the balance of the purchase price, through bank facilities.

The CNIFP Agreement is subject to approval by the shareholders of Fletcher, various regulatory and government approvals and to associated arrangements involving the Company and the Vendor becoming unconditional.

Completion of the CNIFP Agreement is conditional upon completion of the Share Subscription Agreement. Settlement of the transaction contemplated by the Share Subscription Agreement and the Share Purchase Agreement will take place (subject to escrow arrangements agreed between the parties to be effected by 29 August 2002) on the date of closing of the CNIFP Agreement (which is expected to be 27 September 2002).

INFORMATION ON CNIFP

CNIFP was incorporated in New Zealand and was owned as to 50% each by a subsidiary of Fletcher and CITIC. However, on 26 February 2001, CNIFP was placed in receivership by bankers of CNIFP. Since then, the assets of CNIFP have been offered for sale by way of open bid by the receivers of CNIFP. The receivers of CNIFP accepted the bid by Fletcher and entered into the CNIFP Agreement on 17 June 2002 after having previously accepted bids from two other parties.

The assets of CNIFP comprise primarily forest estate and processing assets. According to the circular of Fletcher to its shareholders dated 17 July 2002, Fletcher has assessed the value to Fletcher of the CNIFP Assets being acquired to be NZ$1,493 million (approximately HK$5,673 million), which is considerably in excess of the expected purchase price of US$650 million (approximately HK$5,070 million) plus GST. The forest estate consists of nine forests with a gross area of 189,504 hectares and a planted area of 162,173 hectares in the central North Island of New Zealand. The CNIFP's largest forest, "Kaingaroa" which accounts for 142,286 hectares, is the largest plantation forest in New Zealand and one of the largest planted production forests in the world. The forest estate of CNIFP is internationally regarded as an established, well located and sustainable worldclass resource. The processing assets include the Kaingaroa log processing plant and three solid wood manufacturing facilities. The assets of CNIFP have been managed under contract by Fletcher as forest manager.

FUNDING OF THE ACQUISITION

The aggregate of the subscription monies payable under the Share Subscription Agreement and the purchase price payable under the Share Purchase Agreement is approximately HK$1,744 million, which will be satisfied by applying the proceeds from conversion of the Convertible Loan Notes of HK$1,000 million, all of which has been converted into Shares, and monies that the Company expects to raise through bank loans and/or placement(s) of new Shares. Negotiations are underway by the Directors with the banks and potential placees. However, no terms of any bank financing and/or placement(s) of new Shares have been formalised at this stage and no agreements or commitments have been entered into. Further announcement(s) on the placement(s) of new Shares shall be made by the Company as and when appropriate. Other than the subscription monies payable under the Share Subscription Agreement and the purchase price payable under the Share Purchase Agreement, the Company has no other financial or capital commitment to Fletcher.

THE WHITEWASH WAIVER

As mentioned in the circular of the Company despatched to Shareholders on 5 January 2002, upon the Full Conversion and accordingly the issue of 1,176,470,588 Shares to Keentech, the shareholding of Keentech and parties acting in concert with it would increase to over 30% of the enlarged issued share capital of the Company. As a result of the Full Conversion, Keentech and parties acting in concert with it are required to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all the Shares in issue that are not held by them.

The Whitewash Waiver was granted by the Executive to Keentech and parties acting in concert with it subject to the approval of the same by the Independent Shareholders which approval was obtained at the special general meeting of the Company held on 22 January 2002. Accordingly, Keentech and parties acting in concert with it are not required to make a mandatory general offer following the Full Conversion.

It is mentioned in the circular of the Company despatched to Shareholders on 5 January 2002, the Whitewash Waiver would be invalidated if, without the prior consent of the Executive, any acquisitions of Shares (other than Shares issued on the conversion of the Convertible Loan Notes) or disposals of Shares are made by Keentech or any party acting in concert with it in the period between 27 November 2001 (being the date of the announcement by which the Company announced details of, amongst other things, the Whitewash Waiver) and the SGM. Between 24 May 2002 and 14 June 2002, Keentech inadvertently disposed, on market, of an aggregate 5,208,000 Shares at an average price of HK$1.294 per Share. Such Shares represented approximately 2.76% of Keentech's aggregate holding of Shares at the time of disposal. Keentech has expressed its regrets about the deemed breach of the Takeovers Code which was committed inadvertently. Keentech has requested that the Executive confirm, and the Executive has confirmed, that such disposals do not invalidate or disqualify the Whitewash Waiver.

The Full Conversion took place in two tranches on 18 June 2002 and 25 June 2002. Details of the Full Conversion were provided by the Company in its announcement dated 29 July 2002. The following table illustrates the Company's shareholding structure immediately before and after the Full Conversion:

	Shareholding prior to the first tranche of the Full Conversion on 18 June 2002		**New Shares issued upon the Full Conversion**	**Shareholding after the Full Conversion**	
	Number of Shares	*%*	*Number of Shares*	*Number of Shares*	*%*
United Star	1,440,000,000	67.92	–	1,440,000,000	43.68
Keentech	183,710,000	8.67	1,176,470,588	1,360,180,588	41.26
Independent Shareholders	496,290,000	23.41	–	496,290,000	15.06
TOTAL	2,120,000,000	100.00	1,176,470,588	3,296,470,588	100.00

PUBLIC FLOAT

Following the Full Conversion, the public shareholding has reduced to less than 25% of the total Shares in issue. Accordingly, the Company has applied to the Stock Exchange for a waiver from strict compliance with the minimum 25% public float requirement of the Listing Rules for a period of one month following the date of this announcement (or such other period as allowed by the Stock Exchange). The Company and its controlling shareholders, United Star and Keentech, which at the date of this announcement is respectively interested in 1,440,000,000 Shares and 1,360,180,588 Shares (representing about 43.68% and 41.26% of the issued share capital of the Company respectively) have undertaken to the Stock Exchange that they will use their best commercial efforts to ensure that the number of Shares held by the public shall satisfy the requirements of Rules 8.08 of the Listing Rules by one month following the date of this announcement (or such other period as allowed by the Stock Exchange). The Company is required to inform the Stock Exchange on the percentage of public float at the end of the period for an assessment of the public float status. **If the Stock Exchange believes that a false market exists or may exist in the trading of the Shares or there are insufficient Shares in public hands to maintain an orderly market, it will give consideration to exercising its discretion to suspend trading 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.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the manufacture and sale of plywood and fancy plywood and trading in timber and timber products. The Acquisition represents a natural and strategic expansion of the Group's existing timber business into the international market as Fletcher is a reputable multinational corporation with first class forestry ownership and long-established distribution networks. The assets of CNIFP represent the largest plantation forest in New Zealand, which, when combined with Fletcher's adjacent forests, will total 260,000 planted hectares. These well established forests have excellent growth rates, low harvesting costs and access to a highly developed infrastructure of both on and off highway roads. With good access to processing plants, rail and ports, the forests are very well situated to service key markets.

The Directors consider that the terms of the Share Subscription Agreement and the Share Purchase Agreement are fair and reasonable. These will underpin the strategic growth of Fletcher and thus the Company. No changes are expected to the management of the Company as a result of completion of the Acquisition.

GENERAL

The Acquisition constitutes a very substantial acquisition of the Company under Chapter 14 of the Listing Rules and, accordingly, the Share Subscription Agreement and the Share Purchase Agreement will be subject to the approval of the Independent Shareholders at the SGM at which United Star, Keentech and their concert parties shall abstain from voting. The Company requested, and the Stock Exchange agreed to grant, a waiver from strict compliance with Rule 14.04(6) of the Listing Rules.

A circular containing, amongst other things, information on the Share Subscription Agreement and the Share Purchase Agreement, and notice of the SGM will be despatched to the Shareholders as soon as practicable.

At the request of the Company, trading in the Shares on the Stock Exchange was suspended from 9:30 a.m. on 17 June 2002 pending the release of this announcement. Application has been made by the Company to resume trading in the Shares on the Stock Exchange at 9:30 a.m. on 1 August 2002.

DEFINITIONS

"Acquisition"	the acquisition of 35% interest in the share capital of Fletcher pursuant to the Share Subscription Agreement and the Share Purchase Agreement
"associate"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of directors of the Company
"CITIC"	China International Trust and Investment Corporation
"CNIFP"	Central North Island Forest Partnership
"CNIFP Agreement"	an agreement dated 17 June 2002 for the purchase by Kaingaroa Timber Company Limited (a wholly-owned subsidiary of Fletcher) of the assets of CNIFP from the receivers of CNIFP
"Company"	South East Asia Wood Industries Holdings Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange
"Convertible Loan Notes"	floating rate convertible loan notes in the principal amount of HK$1,000 million issued by the Company to Keentech pursuant to the Subscription Agreement
"Directors"	directors of the Company from time to time
"Executive"	the Executive Director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong and any delegate of the Executive Director
"Fletcher"	Fletcher Challenge Forests Limited, a company incorporated in New Zealand with limited liability, the shares of which are listed on the New Zealand, Australian and New York stock exchanges
"Full Conversion"	the conversion of all the outstanding principal amount of the Convertible Loan Notes pursuant to the Subscription Agreement
"Governance Deed"	a deed to be entered into between Fletcher and the Company to record certain arrangements between them as to governance of and the Company's shareholding in Fletcher
"Group"	the Company and its subsidiaries
"GST"	tax charged under the Goods and Services Tax Act 1985 of New Zealand
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Shareholders"	Shareholders other than those who are involved in, or interested in, the issue of the Convertible Loan Notes and the Acquisition, namely, United Star, Keentech and their concert parties
"Keentech"	Keentech Group Limited, an indirect wholly-owned subsidiary of CITIC
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Maxpower"	Maxpower Resources Limited, an indirect wholly-owned subsidiary of the Company
"New Zealand Listing Rules"	the listing rules of the New Zealand Stock Exchange
"Rubicon"	Rubicon Limited, a company incorporated in New Zealand with limited liability, the shares of which are listed on the New Zealand Stock Exchange
"Sale Shares"	131,076,848 preference shares in the share capital of Fletcher to be acquired by the Company from the Vendor pursuant to the Share Purchase Agreement, representing approximately 3.7% of the enlarged issued share capital of Fletcher as at the date of signing of the Share Purchase Agreement
"SGM"	the special general meeting of the Company to be convened to approve, amongst other things, the Share Subscription Agreement, the Share Purchase Agreement and the transactions contemplated thereunder
"Shares"	ordinary shares of HK$0.05 each in the share capital of the Company
"Shareholders"	holders of Shares from time to time
"Share Purchase Agreement"	the conditional agreement dated 17 June 2002 entered into between the Company and the Vendor in respect of the purchase by the Company of the Sale Shares
"Share Subscription Agreement"	the conditional agreement dated 17 June 2002 entered into between the Company and Fletcher in respect of the subscription by the Company for the Subscription Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	a subscription agreement dated 24 November 2001 entered into between the Company, Keentech and Maxpower and supplemented by a side letter dated 25 January 2002 and a supplemental agreement dated 14 June 2002 relating to the subscription and issue of the Convertible Loan Notes
"Subscription Shares"	a total number of 1,108,801,108 new shares comprising 739,200,739 preference shares and 369,600,369 ordinary shares in the share capital of Fletcher, representing an aggregate of approximately 31.3% of the enlarged issued share capital of Fletcher as at the date of signing of the Share Subscription Agreement to be issued by Fletcher to the Company pursuant to the Share Subscription Agreement
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers
"United Star"	United Star International Inc., a company incorporated in the British Virgin Islands with limited liability
"Vendor"	Rubicon Forests Holdings Limited, a company incorporated in New Zealand with limited liability
"Whitewash Waiver"	a waiver from the requirement to make a mandatory general offer for all the existing issued Shares not otherwise held by Keentech and parties acting in concert with it pursuant to Note 1 of the "Notes on dispensations from Rule 26" of the Takeovers Code
"HK$"	Hong Kong dollars
"NZ$"	New Zealand dollars
"US$"	United States dollars
"%"	per cent.

Note: For the purpose of this announcement, unless otherwise specifically stated, the following exchange rates were used: US$1=HK$7.8; NZ$1=US$0.4875 and NZ$1=HK$3.8

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

Hong Kong, 31 July 2002

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this announcement other than any of the information for which the directors of Keentech accept responsibility and confirm, having made all reasonable enquiries, 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 contained in this announcement misleading.

The directors of Keentech jointly and severally accept full responsibility for the accuracy of the information in relation to Keentech and CITIC and its subsidiaries contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement in relation to the same 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 contained in this announcement misleading.