

## SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

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

### ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS For the six months ended 30 June 2002

#### 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 2002.

#### Condensed Consolidated Profit and Loss Account

	Notes	Six months ended 30 June	
		2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
TURNOVER		16,624	15,717
Cost of sales		<u>(20,122)</u>	<u>(16,219)</u>
Gross loss		(3,498)	(502)
Other revenue and gains		1,461	8,497
Selling and distribution costs		(614)	(206)
Administrative expenses		(7,436)	(9,595)
Other operating expenses		<u>(823)</u>	<u>(12)</u>
LOSS FROM OPERATING ACTIVITIES		(10,910)	(1,818)
Finance costs		-	(1)
LOSS BEFORE TAX		(10,910)	(1,819)
Tax	3	-	8,551
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	4	<u>(10,910)</u>	<u>6,732</u>
EARNINGS/(LOSS) PER SHARE – BASIC		<u>(HK 0.50 cent)</u>	<u>HK 0.34 cent</u>

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

#### Notes:-

##### 1. Principal accounting policies and basis of presentation

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice ("SSAP") 25 "Interim Financial Reporting" and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The accounting policies adopted are consistent with those used in the Group's annual financial statements for the year ended 31 December 2001, except for the adoption of the new SSAP 15 (Revised) "Cash Flow Statements" and SSAP 34 "Employee Benefits", the impact of which is summarised as follows:

- SSAP 15 (Revised) "Cash Flow Statements" prescribes the provision of information about the historical changes in cash and cash equivalents. The condensed consolidated cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.
- SSAP 34 "Employee Benefits" prescribes the accounting and disclosure for employee benefits. This SSAP has had no major impact on these financial statements.

##### 2. Segment information

Segment information is presented by way of two segment formats: (a) on a primary segment reporting basis, by business segment; and (b) on a secondary segment reporting basis, by geographical segment. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

##### (a) Business segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's business segments.

	Manufacture and sale of plywood		Trade of timber products		Corporate and Others		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	14,894	15,717	1,722	-	8	-	16,624	15,717
Other revenue and gains	-	-	-	-	1,461	-	1,461	-
Total revenue	<u>14,894</u>	<u>15,717</u>	<u>1,722</u>	<u>-</u>	<u>1,469</u>	<u>-</u>	<u>18,085</u>	<u>15,717</u>
Segment results	<u>(6,050)</u>	<u>(5,713)</u>	<u>160</u>	<u>-</u>	<u>(6,405)</u>	<u>(4,458)</u>	<u>(12,295)</u>	<u>(10,171)</u>
Interest and unallocated gains							1,385	8,353
Loss from operating activities							<u>(10,910)</u>	<u>(1,818)</u>
Other segment information:								
Segment assets	<u>112,722</u>	<u>117,311</u>	<u>-</u>	<u>-</u>	<u>1,150,081</u>	<u>1,180,809</u>	<u>1,262,803</u>	<u>1,298,120</u>
Capital expenditure	<u>1</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>519</u>	<u>11</u>	<u>520</u>	<u>20</u>

##### (b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

	The PRC		Other asian countries		Corporate and Others		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
Segment revenue:								
Sales to external customers	14,581	15,512	2,043	-	-	205	16,624	15,717
Other revenue and gains	-	-	-	-	1,461	-	1,461	-
Total revenue	<u>14,581</u>	<u>15,512</u>	<u>2,043</u>	<u>-</u>	<u>1,461</u>	<u>205</u>	<u>18,085</u>	<u>15,717</u>
Segment results	<u>(5,371)</u>	<u>(5,713)</u>	<u>(519)</u>	<u>-</u>	<u>(6,405)</u>	<u>(4,458)</u>	<u>(12,295)</u>	<u>(10,171)</u>
Interest and unallocated gains							1,385	8,353
Loss from operating activities							<u>(10,910)</u>	<u>(1,818)</u>
Other segment information:								
Segment assets	<u>112,722</u>	<u>117,311</u>	<u>-</u>	<u>-</u>	<u>1,150,081</u>	<u>1,180,809</u>	<u>1,262,803</u>	<u>1,298,120</u>
Capital expenditure	<u>1</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>519</u>	<u>11</u>	<u>520</u>	<u>20</u>

#### 3. Tax

	Six months ended 30 June	
	2002 (Unaudited) HK\$'000	2001 (Unaudited) HK\$'000
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 2001: Nil).

A Group company operating in the People's Republic of China (the "PRC") is exempt from income tax for two years starting from its first profitable year of operations 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.

No provision has been made for taxes which would arise on the remittance to Hong Kong of retained profits of overseas companies as it is not anticipated that these amounts will be remitted in the near future.

The Company had no unprovided deferred tax at the balance sheet date (2001: Nil).

#### 4. Earnings/(Loss) per share

The calculation of the basic loss per share is based on the unaudited net loss attributable to shareholders for the six months ended 30 June 2002 of HK\$10,910,000 (six months ended 30 June 2001: net profit of HK\$6,732,000) and the weighted average of 2,170,601,235 shares (six months ended 30 June 2001: 1,985,193,370 shares) in issue during the period.

Diluted earnings/(loss) per share amounts for the six months ended 30 June 2002 and 2001 have not been shown because there were no dilutive events existing during these periods.

#### INTERIM DIVIDEND

The Directors resolved not to pay an interim dividend for the six months ended 30 June 2002 (six months ended 30 June 2001: Nil).

#### BUSINESS REVIEW AND OUTLOOK

The Group was mainly involved in the manufacture and sale of plywood. The Group has expended considerable effort in repositioning its business with a view to strengthening the core business of the Group and reinforcing its brand name. As the wood industry is still affected by the arduous economic environment, the operating environment remains difficult. The Directors have adopted a number of measures to sustain the performance of the Group, including refocusing its business strategy and product portfolio. Yet the Group has experienced an unexpected slowdown.

Despite the difficulties the Group has faced, the Group continues to pursue active developments in its core business, including developing environmentally friendly glue to manufacture plywood products. Efforts have also been made to diversify the Group's products and expand the customer base to secure its market share and to satisfy the Group's customers' demand and requirements. Whilst looking forward to benefiting from the opening up of untapped markets arising from the accession of the PRC into the World Trade Organization, the Directors are continuing their efforts to improve productivity, to reduce operating costs, and to enhance the quality of the Group's products.

Strategic alliance has been formed with strong partners. To cater for the future growth of the Group, in February 2002, new directors with expertise and extensive experience in the forestry and aluminium industry joined the Group and are expected to provide the Group with a competitive edge in new business ventures. To take advantage of this, the Directors are actively exploring investment opportunities and working hard in business rationalization and diversification. The Directors expected that these efforts offer a route to successful growth for the Group in the long run. These, over time, will make a meaningful contribution to the Group's earnings.

Given the strong financial position of the Group, the Directors are optimistic about the business growth and focused investments. The financial strength will be used wisely and with discretion. The Group will strive to restore a profit growth and to leverage the available opportunities to maximize the returns for its shareholders.

#### LIQUIDITY AND FINANCIAL RESOURCES

As the convertible loan notes (the "Notes") were fully converted into shares by 25 June 2002, the proceeds of the Notes thus became equity and ready for the proposed investment. As at 30 June 2002, the cash balance was HK\$1,104.5 million.

In June 2002, the Company has entered into agreements to acquire 35% interest in the share capital of Fletcher Challenge Forests Limited. The total consideration is HK\$1,744.4 million which will be paid in cash on settlement. The Company expects to raise the shortfall 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 formalized at this stage and no agreements or commitments have been entered into.

The Group was free from bank borrowings at the end of June 2002. The Directors will ensure that there will be sufficient cash to satisfy the working capital needs and other financing requirements.

#### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2002, the Group had around 250 full time employees, including the management and administrative staff and the production workers. Most of them station in the PRC while the remaining in Hong Kong.

The employees' remuneration, promotion and salary increment are assessed based on individual's performance, professional and working experience and are referred to the prevailing industry practice. Rent-free quarters are provided to the PRC employees. Following the adoption of the Mandatory Provident Fund Scheme ("MPF Scheme") in December 2000, the employees in Hong Kong joined the MPF Scheme.

#### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period.

#### CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") 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 as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

#### PUBLICATION OF INTERIM REPORT

The 2002 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 Vien**  
Chairman

Hong Kong, 8 August 2002