
IMPORTANT

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in South East Asia Wood Industries Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

This circular is not an offer of, nor is it intended to invite offers for, shares or other securities of South East Asia Wood Industries Holdings Limited, including the Convertible Loan Notes (as defined herein).



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

**ISSUE OF HK\$1,000,000,000
REDEEMABLE FLOATING RATE CONVERTIBLE LOAN NOTES
WHITEWASH WAIVER
CREEPER AUTHORISATION
INCREASE IN AUTHORISED SHARE CAPITAL**

**Independent Financial Adviser to the Independent Board Committee of
South East Asia Wood Industries Holdings Limited**

KIM ENG
CAPITAL

KIM ENG CAPITAL (HONG KONG) LIMITED

A letter from the Independent Board Committee (as defined herein) containing its advice to the Independent Shareholders (as defined herein) is set out on page 20 of this circular.

A letter from Kim Eng Capital (Hong Kong) Limited containing its opinion and advice to the Independent Board Committee is set out on pages 21 to 34 of this circular.

A notice convening a special general meeting of South East Asia Wood Industries Holdings Limited to be held at Fuji Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 January 2002 at 10:30 a.m., is set out on pages 83 to 85 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the special general meeting (or any adjourned meeting thereof) should you wish to do so.

5 January 2002

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DEFINITIONS

Unless the context otherwise requires, the following terms and expressions used in this circular shall have the following meanings:

“Account Charge”	a charge to be granted by SEAWI in favour of Keentech over the Designated Account
“Board”	the board of Directors
“CITIC”	China International Trust and Investment Corporation
“CITIC Group”	CITIC and its subsidiaries
“Conversion Period”	the period during which the Convertible Loan Notes are convertible, commencing from the Issue Date to seven business days prior to the first anniversary of the Issue Date
“Conversion Price”	subject to adjustment, HK\$0.85 per Conversion Share
“Conversion Shares”	the Shares to be allotted and issued upon the conversion of the Convertible Loan Notes
“Convertible Loan Notes”	HK\$1,000,000,000 redeemable floating rate convertible loan notes to be issued by SEAWI pursuant to the terms of the Subscription Agreement
“Creep Authorisation”	the proposal described in the section headed “Creep Authorisation” in the “Letter from the Board” set out in this circular to authorise Keentech and parties acting in concert with it to acquire further Shares during the period of 12 months following the allotment and issue of the Conversion Shares to Keentech and parties acting in concert with it (as described in the section headed “Whitewash Waiver” in the “Letter from the Board” set out in this circular) to be proposed at the Special General Meeting for approval by the Independent Shareholders by a separate resolution, taken on a poll, pursuant to Note 15 to Rule 26.1 of the Takeovers Code
“Designated Account”	an account to be established and maintained by SEAWI with CITIC Ka Wah Bank Limited

DEFINITIONS

“Directors”	the directors of SEAWI
“Executive”	the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director
“Group”	SEAWI and its subsidiaries
“Independent Board Committee”	an independent committee of the Board (comprising Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian), which has been established by the Board for the purpose of advising the Independent Shareholders on the Whitewash Waiver and the Creeper Authorisation
“Independent Financial Adviser” or “Kim Eng”	Kim Eng Capital (Hong Kong) Limited, an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Independent Shareholders”	for the purposes of approving the grant of the Whitewash Waiver and the Creeper Authorisation, Shareholders other than those who are involved in, or interested in, the issue of the Convertible Loan Notes. Keentech and United Star International Inc. are not considered to be Independent Shareholders for the reasons set out in the section headed “Whitewash Waiver” in the “Letter from the Board” set out in this circular
“Instrument”	the instrument constituting the Convertible Loan Notes
“Issue”	the issue of the Convertible Loan Notes pursuant to the terms of the Subscription Agreement
“Issue Date”	the date on which the Convertible Loan Notes are issued pursuant to the Instrument
“Keentech”	Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly owned subsidiary of CITIC
“Latest Practicable Date”	4 January 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Loan”	the loan of HK\$1,000,000,000 made by Keentech to Maxpower pursuant to the Loan Agreement
“Loan Agreement”	the loan agreement dated 21 May 2001 and made between Keentech, Maxpower and SEAWI pursuant to which Keentech has advanced the Loan to Maxpower
“Maxpower”	Maxpower Resources Limited, a company incorporated in the British Virgin Islands with limited liability and which is an indirect wholly owned subsidiary of SEAWI
“Proposed Investment”	the acquisition of certain assets by Maxpower (or any other company nominated by SEAWI) as stated in the Subscription Agreement
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“SEAWI”	South East Asia Wood Industries Holdings Limited, a company whose shares are listed on the Stock Exchange
“SFC”	the Securities and Futures Commission of Hong Kong
“Share Option Scheme”	the share option scheme adopted by SEAWI on 21 August 1997
“Shares”	ordinary shares of HK\$0.05 each in the share capital of SEAWI
“Shareholders”	holders of Shares from time to time
“Special General Meeting”	the special general meeting of SEAWI to be held on 22 January 2002 and convened pursuant to the notice contained in this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the conditional subscription agreement dated 24 November 2001 made between SEAWI, Keentech and Maxpower relating to the subscription and issue of the Convertible Loan Notes

DEFINITIONS

“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“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
“Whitewash Waiver Announcement”	the announcement dated 27 November 2001 and issued by SEAWI announcing details of, amongst other things, the Whitewash Waiver

LETTER FROM THE BOARD



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Kwok Viem, Peter (*Chairman*)
Mr. Ma Ting Hung (*Vice Chairman*)
Ms. Li So Mui
Mr. Mak Sun Keung, Albert
Mr. Tian Yuchuan

Independent Non-executive Directors:

Mr. Fan Ren Da, Anthony
Mr. Tsang Link Carl, Brian

Registered Office:

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Head Office:

Room 2602, 26th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

5 January 2002

To the Shareholders

Dear Sir or Madam,

**ISSUE OF HK\$1,000,000,000
REDEEMABLE FLOATING RATE CONVERTIBLE LOAN NOTES
WHITEWASH WAIVER
CREEPER AUTHORISATION
INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

Reference is made to the announcement by the Board on 24 May 2001 that Keentech had agreed to advance the Loan, being a sum of HK\$1,000,000,000, to Maxpower pursuant to the terms and conditions of the Loan Agreement. Under the terms of the Loan Agreement, the parties agreed that the Loan would subsequently be repaid through the issue of convertible bonds by SEAWI to Keentech. The Loan was advanced to Maxpower for the purposes of funding the Proposed Investment.

On 27 November 2001, the Board announced that SEAWI had entered into the Subscription Agreement, pursuant to which Keentech has agreed to subscribe for, and SEAWI

LETTER FROM THE BOARD

has agreed to issue, the Convertible Loan Notes. The Convertible Loan Notes will be issued in lieu of the repayment and in full satisfaction and settlement of the Loan as contemplated under the Loan Agreement.

The issue of the Convertible Loan Notes is subject to the conditions outlined below under “Conditions to the Issue”, including the approval of Shareholders at the Special General Meeting and the approval of Independent Shareholders to the granting of the Whitewash Waiver.

The Board also proposes that the authorised share capital of SEAWI be increased from HK\$200,000,000 to HK\$300,000,000 through the creation of an additional 2,000,000,000 Shares.

PURPOSE OF THIS CIRCULAR

At the Special General Meeting:

- (A) Shareholders (other than Keentech, which has agreed to abstain from voting on such resolution) will be asked to consider and, if thought fit, approve:
 - (1) the issue of the Convertible Loan Notes pursuant to the Subscription Agreement and the issue of the Conversion Shares thereunder; and
 - (2) an increase in the authorised share capital of SEAWI; and
- (B) Independent Shareholders will be asked to consider and, if thought fit, approve the granting of the Whitewash Waiver and the Creeper Authorisation.

The purpose of this circular is to provide Shareholders with further information on the Subscription Agreement, the issue of the Convertible Loan Notes, the Whitewash Waiver, the Creeper Authorisation and the proposed increase in the authorised share capital of SEAWI.

Notice of the Special General Meeting at which the aforementioned matters will be considered is contained in this circular.

CONVERTIBLE LOAN NOTES

Terms of the Subscription Agreement

- Date** : 24 November 2001
- Parties** : South East Asia Wood Industries Holdings Limited
Keentech Group Limited
Maxpower Resources Limited

LETTER FROM THE BOARD

Keentech is a wholly owned subsidiary of CITIC International Holdings Limited which, in turn, is a direct wholly owned subsidiary of CITIC. As at the Latest Practicable Date, Keentech was interested in 188,918,000 Shares representing approximately 8.91 per cent. of the issued share capital of SEAWI.

Subject to the fulfilment of the conditions set out below under the section headed "Conditions to the Issue", Keentech has agreed to subscribe for, and SEAWI has agreed to issue, the Convertible Loan Notes, upon the terms and conditions set out in the Subscription Agreement.

Conditions to the Issue

Completion of the Subscription Agreement and the issue of the Convertible Loan Notes is conditional upon, amongst others, the following conditions being satisfied (or waived) by 31 January 2002:

- (A) the approval of Shareholders to the issue of the Convertible Loan Notes pursuant to the Subscription Agreement and the issue of the Conversion Shares thereunder;
- (B) the Executive Director (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 Keentech 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 Takeovers Code for all other Shares in issue at such time, or at the election of Keentech (2) granting Keentech 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 all outstanding Shares under Rule 26.1 of the Takeovers Code arising from the conversion of the Convertible Loan Notes such that Keentech's percentage shareholding in the Shares would exceed 30 per cent. of all Shares in issue at such time;
- (C) 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
- (D) 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.

LETTER FROM THE BOARD

Principal Terms of the Convertible Loan Notes

A summary of the principal terms and conditions of the Convertible Loan Notes which will be contained in the Instrument are set out below.

- Issuer : South East Asia Wood Industries Holdings Limited
- Subscriber : Keentech Group Limited, a company incorporated in the British Virgin Islands with limited liability and which is a wholly owned subsidiary of CITIC International Holdings Limited, a member of the CITIC Group. Keentech and CITIC International Holdings Limited are independent third parties not connected with SEAWI nor associated with any director, the chief executive or substantial shareholder (as such expressions are defined in the Listing Rules) of SEAWI.
- 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 and payable in arrear.
- Redemption Price : At par plus accrued interest
- 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.
- Conversion Rights : If not previously redeemed or purchased, 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. Keentech has agreed in the Subscription Agreement 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 shall be automatically converted into Shares.

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- Early Redemption : If not previously converted, Keentech may require SEAWI to redeem the Convertible Loan Notes upon notice. However, pursuant to the terms of the Subscription Agreement, Keentech has agreed that during the period of 90 days from the Issue Date, Keentech shall not require SEAWI to redeem any of the Convertible Loan Notes except in certain circumstances including, amongst others, where SEAWI agrees with Keentech that Maxpower (or any other company nominated by SEAWI) will not proceed with the Proposed Investment and any acquisition agreement relating to the Proposed Investment is terminated after having been entered into by Maxpower (or any other company nominated by SEAWI).
- Final Redemption : If not previously redeemed or converted or purchased, on the first anniversary of the Issue Date
- Ranking : Subject to the Account Charge referred to below, the Convertible Loan Notes constitute direct unconditional obligations of SEAWI and rank pari passu and rateably without preference (with the exception of obligations in respect of taxes and certain statutory exceptions) equally with all other unsecured and unsubordinated obligations of SEAWI
- Account Charge : Whilst Keentech (or any other member of the CITIC Group) remains the holder of the Convertible Loan Notes, the obligations of SEAWI under such Convertible Loan Notes as are held by Keentech or any other member of the CITIC Group, as the case may be, shall be secured by a charge over the proceeds from the issue of the Convertible Loan Notes standing to the credit of the Designated Account
- 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 (in denominations of HK\$5,000,000 or integral multiples thereof) to any party.

LETTER FROM THE BOARD

However, under the terms of the Subscription Agreement, Keentech has agreed that during the period of 90 days from the Issue Date that it will not transfer or assign any of the Convertible Loan Notes.

Payment of the Convertible Loan Notes and repayment of the Loan

SEAWI and Keentech have agreed that the Convertible Loan Notes will be issued in lieu of the repayment and in full satisfaction and settlement of the Loan.

Comparison of the Conversion Price

The Conversion Price represents:

- (A) 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;
- (B) a discount of about 19.43 per cent. to the average closing price of HK\$1.055 per Share as quoted on the Stock Exchange for the 10 trading days immediately prior to 23 November 2001; and
- (C) a discount of about 35.61 per cent. to the closing price of HK\$1.32 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

Mandatory Conversion of the Convertible Loan Notes

Pursuant to the terms of the Subscription Agreement, and 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 or the relevant mandatory general offer trigger thresholds of the Takeovers Code, Keentech and SEAWI have agreed that the Convertible Loan Notes shall be mandatorily and automatically converted into Shares on the occurrence of any of the following events:

- (A) in the event that an acquisition agreement relating to the Proposed Investment is entered into prior to any placing of new Shares, an initial amount of HK\$255 million of the principal amount of the Convertible Loan Notes will be converted, and thereafter there will be a dollar for dollar conversion of the Convertible Loan Notes in an amount equal to the additional amount of funds raised by SEAWI in excess of HK\$255 million through the issue of new Shares to investors other than the CITIC Group by way of a placing; and

LETTER FROM THE BOARD

- (B) in the event that any monies are raised through the issue of new Shares by way of a placing prior to the entry into of an acquisition agreement relating to the Proposed Investment, there will be a dollar for dollar conversion of the Convertible Loan Notes in an amount equal to the proceeds raised from such placing. Thereafter, the remaining Convertible Loan Notes will be converted in the same manner where additional monies are raised by way of any placing until all the outstanding principal amount of the Convertible Loan Notes has been converted or redeemed.

The automatic conversion of the Convertible Loan Notes is a condition required by SEAWI to ensure that, if SEAWI is able to successfully conclude discussions concerning the acquisition of the Proposed Investment and agrees to acquire it, SEAWI is not required to redeem the Convertible Loan Notes after SEAWI is committed to applying the proceeds from the issue of the Convertible Loan Notes to the acquisition of the Proposed Investment.

If discussions concerning the Proposed Investment are not successfully concluded by SEAWI and no monies have been raised through the placing of new Shares to fund the acquisition of the Proposed Investment, then an automatic conversion of the Convertible Loan Notes will not occur and the Convertible Loan Notes will only be converted if Keentech or any subsequent holder elects to exercise its conversion rights thereunder during the Conversion Period.

ACCOUNT CHARGE

At any time whilst Keentech or any other member of the CITIC Group is a holder of the Convertible Loan Notes, the obligations of SEAWI under such Convertible Loan Notes held by Keentech or any other member of the CITIC Group will be secured pursuant to the terms of the Account Charge.

Under the terms of the Account Charge, SEAWI shall grant a charge over the Designated Account into which the proceeds of the issue of the Convertible Loan Notes are to be deposited. The security constituted under the Account Charge will affect monies standing from time to time in the Designated Account and will be discharged if the monies standing in the Designated Account are used to fund the Proposed Investment or are otherwise used to redeem the Convertible Loan Notes. The Account Charge will also be discharged upon the conversion of all of the Convertible Loan Notes.

Any holder of the Convertible Loan Notes not being Keentech or a member of the CITIC Group will not benefit from the security granted under the Account Charge.

LETTER FROM THE BOARD

USE OF PROCEEDS

The proceeds from the issue of the Convertible Loan Notes shall be:

- (A) to the extent not already converted, used to redeem the Convertible Loan Notes; and
- (B) used for general corporate purposes and to fund investments (including the Proposed Investment) that the Directors consider to be in the interests of SEAWI.

As at the Latest Practicable Date, SEAWI was not in negotiation or discussions to acquire any assets or business (other than the Proposed Investment). SEAWI will comply with the relevant requirements of the Listing Rules as and when appropriate.

The Stock Exchange has advised SEAWI that it will closely monitor all future acquisitions or disposals of assets by SEAWI and that the Stock Exchange has the discretion to require SEAWI to issue a circular to Shareholders irrespective of the size of the proposed transaction, particularly when such proposed transaction represents a departure from the principal activities of SEAWI. The Stock Exchange also has the power to aggregate a series of transactions and any such transactions may, subject to the Listing Rules, result in SEAWI being treated as if it were a new listing applicant.

PROPOSED INVESTMENT

SEAWI is in discussions with regard to the Proposed Investment and has given strict confidentiality undertakings in order to be able to participate in such discussions. However, no terms have been agreed upon and no binding commitment or agreement has been entered into by Maxpower (or any other company nominated by SEAWI). There can be no assurance that SEAWI will be able to agree terms satisfactory to it or that it will proceed with the Proposed Investment. Based on preliminary discussions, it is expected that the approval of Shareholders will be required in respect of the Proposed Investment and a further special general meeting shall in such circumstances be convened regarding the Proposed Investment at which only Independent Shareholders will be entitled to vote in respect of any resolution authorising the Proposed Investment. A circular containing details, subject to relevant waivers, complying with the requirements of the Listing Rules and of paragraph 4 of Schedule VI to the Takeovers Code will be despatched to Shareholders as appropriate. The Directors will issue an announcement or announcements concerning the Proposed Investment as and when appropriate and will comply with the relevant requirements of the Listing Rules and the Takeovers Code.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacture and sale of plywood and fancy plywood and trading in timber and timber products. As at 31 December 2000, the consolidated net asset value of the Group was HK\$104,391,000.

LETTER FROM THE BOARD

LISTING

SEAWI has no intention to list the Convertible Loan Notes on the Stock Exchange or on any other stock exchange. An application will be made to the Stock Exchange for the listing of, and for permission to deal in, the Conversion Shares.

EFFECT ON THE ISSUED SHARE CAPITAL OF SEAWI

As at the Latest Practicable Date, there were a total of 2,120,000,000 Shares in issue. Assuming conversion at 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 Conversion Shares representing about 55.49 per cent. of the existing issued share capital of SEAWI as at the Latest Practicable Date and about 35.69 per cent. of such issued share capital of SEAWI as enlarged by the issue of the Conversion Shares (based on the number of issued Shares as at the Latest Practicable Date and without taking into account any other Shares which may be issued). The Conversion Shares, if issued, will rank *pari passu* and carry the same rights and privileges in all respects as all other Shares in issue.

As at the Latest Practicable Date, Keentech is interested in 188,918,000 Shares representing about 8.91 per cent. of the issued share capital of SEAWI. If 1,176,470,588 Conversion Shares are issued (and without taking account of any other Shares that may be issued), the number of issued Shares (based on the number of issued Shares as at the Latest Practicable Date) will be 3,296,470,588 Shares. If all of such Conversion Shares are issued and allotted to Keentech, Keentech would hold 1,365,388,588 Shares (representing about 41.42 per cent. of the enlarged issued share capital of SEAWI) and the existing controlling shareholder of SEAWI, United Star International Inc., would hold 1,440,000,000 Shares (representing about 43.68 per cent. of the enlarged issued share capital of SEAWI).

The following table illustrates SEAWI's existing shareholding structure and the structure immediately after the conversion of the whole of the principal amount of HK\$1,000,000,000 of the Convertible Loan Notes and the allotment and issue to Keentech of 1,176,470,588 Conversion Shares at a price of HK\$0.85 per Conversion Share (and without taking into account any other Shares that may be issued).

LETTER FROM THE BOARD

	Before conversion of the Convertible Loan Notes		After conversion of the Convertible Loan Notes	
	Number of Shares	Percentage of total number of issued Shares	Number of Shares	Percentage of total number of issued Shares
United Star				
International Inc.	1,440,000,000	67.93	1,440,000,000	43.68
Keentech Group				
Limited	188,918,000	8.91	1,365,388,588	41.42
Public	491,082,000	23.16	491,082,000	14.90
	<u>2,120,000,000</u>	<u>100.00%</u>	<u>3,296,470,588</u>	<u>100.00%</u>

MAINTAINING THE PUBLIC FLOAT OF SEAWI

SEAWI and its controlling shareholder, United Star International Inc., which at the Latest Practicable Date is interested in 1,440,000,000 Shares (representing about 67.93 per cent. of the issued share capital of SEAWI as at the Latest Practicable Date) 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 SEAWI 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 the Shares promptly if there is any unusual price movements in the Shares. A further announcement will be made by SEAWI as and when appropriate regarding the method adopted to satisfy Rule 8.08 of the Listing Rules.

WHITEWASH WAIVER

Conversion of all of the Convertible Loan Notes or part only may occur:

- (A) at any time during the Conversion Period at the election of Keentech (assuming it continues to be the holder of the Convertible Loan Notes); and
- (B) automatically as described in the section headed “Mandatory Conversion of the Convertible Loan Notes” of this letter.

LETTER FROM THE BOARD

Consequently, conversion of all of the Convertible Loan Notes may occur or conversion from time to time of only some of the Convertible Loan Notes may occur.

Assuming full conversion of the Convertible Loan Notes and the issue of 1,176,470,588 Conversion Shares to Keentech, Keentech and parties acting in concert with it shall, immediately on completion of full conversion, hold an aggregate of about 41.42 per cent. of the issued share capital of SEAWI as enlarged by the issue of such Conversion Shares (based on the number of issued Shares as at the Latest Practicable Date and without taking into account any other Shares that may be issued). Such shareholding would represent more than 30 per cent. of the issued share capital of SEAWI at such time. Where only some of the Convertible Loan Notes are converted from time to time during the Conversion Period, the percentage shareholding of Keentech and parties acting in concert with it may change between each partial exercise and conversion of the Convertible Loan Notes as a result of the issue of new Shares by SEAWI, for example, by way of a placing, Keentech not taking up its entitlement to new Shares on a rights issue or Keentech disposing of its Shares. Therefore, between any partial exercise and conversion of the Convertible Loan Notes, the percentage shareholding of Keentech and parties acting in concert with it may fluctuate.

The percentage shareholding of Keentech and parties acting in concert with it at the time of and following the exercise and conversion of any of the Convertible Loan Notes will depend on the number of Shares in issue and the number of shares held by Keentech at the time of such exercise and the number of Conversion Shares to be allotted and issued to Keentech. This may result in the percentage shareholding of Keentech and parties acting in concert with it increasing to or above 30 per cent. of the issued share capital of SEAWI at such time thus triggering a requirement on Keentech and parties acting in concert with it to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code for all of the Shares in issue that are not held by them. It may also be the case that the number of Conversion Shares that are allotted and issued to Keentech following a partial exercise and conversion of Convertible Loan Notes may increase the percentage shareholding of Keentech and parties acting in concert with it in the issued share capital of SEAWI by 2 per cent. or more at a time when Keentech and parties acting in concert with it already hold 30 per cent. or more of the issued share capital of SEAWI. In such circumstances, Keentech and parties acting in concert with it would also trigger a requirement under Rule 26.1 of the Takeovers Code to make a mandatory general offer for all of the Shares in issue that are not held by them.

An application has been made by Keentech and parties acting in concert with it to the Executive for the Whitewash Waiver which shall apply each time, if necessary, when Keentech exercises its conversion rights under the Convertible Loan Notes so that Keentech and parties acting in concert with it will not be required to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code on the allotment and issue of any Conversion Shares at any time which would otherwise trigger a mandatory general offer pursuant to such rule. The granting of the Whitewash Waiver is, at the election of Keentech, a condition precedent to

LETTER FROM THE BOARD

completion of the issue of the Convertible Loan Notes. The Executive has agreed, subject to the approval by Independent Shareholders, to waive the obligation of Keentech and parties acting in concert with it to make a general offer which might otherwise result from the allotment and issue of the Conversion Shares described above. The Whitewash Waiver will be granted subject to approval by Independent Shareholders' vote by way of a poll at the Special General Meeting.

Keentech, as the subscriber of the Convertible Loan Notes and the applicant in relation to the Whitewash Waiver and the Creeper Authorisation, is not considered to be an Independent Shareholder and, together with parties acting in concert with it, will abstain from voting on the resolution to consider the Whitewash Waiver and the Creeper Authorisation.

United Star International Inc. (which is owned equally by Mr. Kwok Viem, Peter and Mr. Ma Ting Hung), and parties acting in concert with it, will abstain from voting on the resolutions to consider the Whitewash Waiver and the Creeper Authorisation on the basis that Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, the Chairman and Vice-Chairman of SEAWI respectively, have been involved on SEAWI's behalf in discussions with Keentech concerning the issue of the Convertible Loan Notes and are not considered sufficiently independent pursuant to Note 1 to the "Notes on dispensations from Rule 26" of the Takeovers Code.

The Executive will not normally grant the Whitewash Waiver if Keentech and parties acting in concert with it have acquired any Shares (other than Conversion Shares) in the six months prior to the posting of this circular but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors or any of them in relation to the issue of the Convertible Loan Notes and the issue of any Conversion Shares. Further, the Whitewash Waiver, if granted, will be invalidated if, without the prior consent of the Executive, any acquisitions of Shares (other than Conversion Shares) or disposals of Shares are made by Keentech or any party acting in concert with it in the period between the Whitewash Waiver Announcement and (if any) the special general meeting to approve the Proposed Investment.

In the event that (1) the Whitewash Waiver is not granted by the Executive or granted but not approved by the Independent Shareholders at the Special General Meeting, and (2) the confirmation is not given by the Executive that Keentech 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 3(B) of the section headed "Conditions to the Issue" is waived by Keentech.

Keentech 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 Keentech and parties acting in concert with it holding Shares representing less than 30 per cent. of the issued share capital of SEAWI from time to time.

LETTER FROM THE BOARD

CREEPER AUTHORISATION

If the granting of the Whitewash Waiver is approved by Independent Shareholders at the Special General Meeting, Keentech and parties acting in concert with it will not be required to make a mandatory general offer for all the Shares in issue (other than those held by Keentech and parties acting in concert with it) where, following the issue of Shares on the exercise of the Convertible Loan Notes from time to time, such Shares issued would otherwise result in Keentech and parties acting in concert with it being required to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code. If the number of Shares held by Keentech and parties acting in concert with it following the allotment and issue of Shares upon the conversion of any Convertible Loan Notes represents 30 per cent. or more but less than 50 per cent. of the issued share capital of SEAWI at such time, Keentech and parties acting in concert with it will require the authorisation of the Independent Shareholders pursuant to Note 15 to Rule 26.1 of the Takeovers Code before they may acquire additional Shares otherwise they would incur an obligation to make a general offer pursuant to Rule 26.1 of the Takeovers Code to acquire all the Shares in issue that are not held by them. If the authorisation of the Independent Shareholders is not granted, Keentech and parties acting in concert with it may not acquire any additional Shares during the period of 12 months following the issue of the Conversion Shares described above.

A resolution will be put to the Independent Shareholders at the Special General Meeting to be taken on a poll, to consider and, if thought fit, approve the granting of authorisation to Keentech and parties acting in concert with it, during the period of 12 months immediately following the allotment and issue of any of the Conversion Shares as described above, to increase their holding of Shares without incurring an obligation to make a general offer under Rule 26.1 of the Takeovers Code for Shares not already held by them by acquiring additional Shares which, when aggregated with all other Shares acquired pursuant to the Creeper Authorisation (but which, for the avoidance of doubt, exclude the Shares allotted and issued upon conversion of any Convertible Loan Notes) do not exceed 2 per cent. of the total number of Shares in issue at the date of such acquisition.

INCREASE IN AUTHORISED SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of SEAWI is HK\$200,000,000 divided into 4,000,000,000 Shares. As at the Latest Practicable Date, the issued share capital of SEAWI was HK\$106,000,000 divided into 2,120,000,000 Shares, all of which have been fully paid or credited as fully paid. In order to have sufficient authorised and unissued share capital available to allow for the future issue of Shares including, but not limited to, the Conversion Shares (based on the initial conversion price of HK\$0.85 per Conversion Share) that fall to be issued on the conversion in full of the Convertible Loan Notes, an ordinary resolution will be proposed at the Special General Meeting to increase the authorised share capital of SEAWI from HK\$200,000,000 to HK\$300,000,000 by the creation of an additional 2,000,000,000 Shares.

LETTER FROM THE BOARD

SPECIAL GENERAL MEETING

There is set out on pages 83 to 85 of this circular a notice convening the Special General Meeting to be held at Fuji Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 January 2002 at 10:30 a.m. for the purpose of considering and, if thought fit, passing ordinary resolutions to approve the issue of the Convertible Loan Notes and the issue of the Conversion Shares thereunder, the Whitewash Waiver, the Creeper Authorisation and the increase in the authorised share capital of SEAWI.

A form of proxy for use in the Special General Meeting is enclosed. You are requested to complete the enclosed proxy form and return the same to SEAWI, in accordance with the instructions printed thereon, not less than 48 hours before the time of the Special General Meeting (or any adjourned meeting thereof) whether or not you intend to be present at the meeting. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Special General Meeting (or any adjourned meeting thereof) should you wish to do so.

An announcement will be made by SEAWI following the conclusion of the Special General Meeting to inform you of the results.

ADVICE OF THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee has been established by the Board for the purposes of advising Independent Shareholders on the Whitewash Waiver and the Creeper Authorisation. The Independent Board Committee comprises Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian.

Mr. Kwok Viem, Peter, Mr. Ma Ting Hung and Ms. Li So Mui are salaried employees of SEAWI and have been involved in negotiations and discussions in relation to the Subscription Agreement and the issue of the Convertible Loan Notes. Mr. Mak Sun Keung, Albert is a salaried employee of SEAWI. Mr. Tian Yuchuan is a director of Citifor Inc., which is a member of the CITIC Group. Accordingly, none of them are considered to be sufficiently independent for the purpose of advising the Independent Shareholders.

The letter of advice from the Independent Board Committee is set out on page 20 of this circular.

ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

Kim Eng has been appointed as the independent financial adviser to advise the Independent Board Committee upon the Whitewash Waiver and the Creeper Authorisation. The letter from Kim Eng is set out on pages 21 to 34 of this circular.

LETTER FROM THE BOARD

RECOMMENDATIONS

The Directors are of the opinion that the issue of the Convertible Loan Notes pursuant to the Subscription Agreement, the granting of the Whitewash Waiver, the granting of the Creeper Authorisation and the increase in the authorised share capital of SEAWI as described in this circular are in the interests of SEAWI. Accordingly, the Directors recommend you to vote in favour of the resolutions to be proposed at the Special General Meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices which form part of this circular.

Yours faithfully,
For and on behalf of the Board
Peter Kwok Viem
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

5 January 2002

To the Independent Shareholders

Dear Sir or Madam,

**ISSUE OF HK\$1,000,000,000
REDEEMABLE FLOATING RATE CONVERTIBLE LOAN NOTES
WHITEWASH WAIVER
CREEPER AUTHORISATION
INCREASE IN AUTHORISED SHARE CAPITAL**

As the Independent Board Committee, we have been appointed to advise you in connection with the grant of the Whitewash Waiver by the Executive and the granting of the Creeper Authorisation. We refer to the circular to the Shareholders dated 5 January 2002 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

Having considered the terms and conditions of the Convertible Loan Notes and the Whitewash Waiver, the Creeper Authorisation and the advice of the Independent Financial Adviser in relation thereto as set out on pages 21 to 34 of the Circular, we are of the opinion that the granting of the Whitewash Waiver and the granting of the Creeper Authorisation are fair and reasonable so far as the Independent Shareholders are concerned. We therefore recommend you to vote in favour of the ordinary resolutions to be proposed at the Special General Meeting to approve the granting of the Whitewash Waiver and the Creeper Authorisation respectively.

Yours faithfully,
for and on behalf of the
Independent Board Committee
Fan Ren Da, Anthony **Tsang Link Carl, Brian**
Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Kim Eng, the Independent Financial Adviser, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee in connection with the Whitewash Waiver and the Creeper Authorisation.

KIM ENG

CAPITAL

Kim Eng Capital (Hong Kong) Limited
8th Floor, Alexandra House
16-20 Chater Road
Central
Hong Kong

To the Independent Board Committee
South East Asia Wood Industries Holdings Limited
Room 2602, 26th Floor
Bank of America Tower
12 Harcourt Road
Central
Hong Kong

5 January 2002

Dear Sirs,

**ISSUE OF HK\$1,000,000,000
REDEEMABLE FLOATING RATE CONVERTIBLE LOAN NOTES
WHITEWASH WAIVER
CREEPER AUTHORISATION
INCREASE IN AUTHORISED SHARE CAPITAL**

INTRODUCTION

We refer to our engagement as the independent financial adviser to the Independent Board Committee in relation to the Whitewash Waiver and the Creeper Authorisation, details of which are contained in a circular to the Shareholders dated 5 January 2002 (the “Circular”), of which this letter forms part. Terms defined in the Circular shall, unless the context otherwise requires, have the same meaning in this letter.

Among the Directors, Mr. Kwok Viem, Peter, Mr. Ma Ting Hung and Ms. Li So Mui have been involved in negotiations and discussions in relation to the Subscription Agreement and the issue of the Convertible Loan Notes. Mr. Tian Yuchuan is a director of Citifor Inc., which is a

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

member of the CITIC Group. Mr. Mak Sun Keung, Albert is a salaried employee of SEAWI. Accordingly, none of them is considered independent under the Takeovers Code so far as the Whitewash Waiver and the Creeper Authorisation are concerned and it is not considered appropriate for any of them to give any advice to the Independent Shareholders. The Independent Board Committee comprising Mr. Fan Ren Da, Anthony and Mr. Tsang Link Carl, Brian, has been constituted to give advice and a recommendation to the Independent Shareholders in this regard.

In formulating our opinion, we have relied on the information and facts supplied to us by SEAWI and have assumed that all such information and facts and any representations made to us are true, accurate and complete at the time when they were made and continue to be so as at the date hereof. We have also assumed that all information, representations and opinions contained or referred to in the Circular are fair and reasonable and have relied on them. We have sought and received information from the Directors that all relevant information has been supplied to us and that no material facts have been omitted and we are not aware of any facts or circumstances which would render the information provided and the representations made to us untrue, inaccurate or misleading.

The Directors have jointly and severally accepted full responsibility for the accuracy of the information contained in the Circular, other than any of the information relating to Keentech and the CITIC Group for which the Directors of Keentech accept responsibility and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any statement in the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs of SEAWI or any of its subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion on the Whitewash Waiver and the Creeper Authorisation, we have considered the following principal factors and reasons:

1. Use of proceeds from the Convertible Loan Notes

The proceeds from the issue of the Convertible Loan Notes are intended to be used primarily for funding the Proposed Investment. SEAWI is in discussions with regard to the Proposed Investment but no binding agreement or commitment has been entered into. In order

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

to be able to participate in such discussions, SEAWI has given strict confidentiality undertakings and as a result, no details of the Proposed Investment were available to us.

In accordance with the terms of the Convertible Loan Notes, the cash derived from the issue of the Convertible Loan Notes are to be placed in the Designated Account and the Directors have confirmed that the interest income which will be received by SEAWI will be based on the interest rate for a one-month fixed time deposit as quoted by CITIC Ka Wah Bank Limited in Hong Kong. The interest payable to Keentech by SEAWI on the outstanding principal amount of the Convertible Loan Notes will be based on the prevailing rate for a one-month fixed time deposit as quoted by CITIC Ka Wah Bank Limited in Hong Kong. As a result, the net effect of the issue of the Convertible Loan Notes on the earnings of SEAWI would be zero.

In the event the Convertible Loan Notes are converted into Shares due to the issue of new Shares by way of placing prior to the entry into of an acquisition agreement relating to the Proposed Investment as described in the section headed “Mandatory Conversion of the Convertible Loan Notes” in the “Letter from the Board” in the Circular (“Mandatory Conversion Provision”), an amount equal to the monies raised from the issue of the Conversion Shares will be released from the Designated Account without any restriction.

In the event no agreement or commitment is entered into by SEAWI regarding the Proposed Investment, then the proceeds from the issue of the Convertible Loan Notes will be:

- (A) to the extent not already converted, used to redeem the Convertible Loan Notes; and
- (B) used for general corporate purposes and to fund investments that the Directors consider to be in the interests of SEAWI.

Based on the above, we are of the view that while there is an intended purpose for the use of the proceeds of the Convertible Loan Notes, such proceeds may still be utilized for other purposes in the event the Proposed Investment does not proceed and Keentech elects to convert or being required to convert under the “Mandatory Conversion Provisions”. Accordingly, we are of the view that the issue of the Convertible Loan Notes is fair and reasonable to SEAWI and its shareholders as a whole.

2. Reasons for the Subscription Agreement

As disclosed in the interim report of the Group for the six months ended 30 June 2001, the operating environment of the wood industry has been difficult as market competition in plywood products has been intensive since the second half year of 2000 due to (a) a reduction in the average selling price in plywood products as a result of over supply by other Asian

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

countries; (b) the general economics downturn in Asia and fall in demand for higher end plywood products as well as a decline in general spending on decoration by consumers has resulted in the Group shifting its product mix from the higher end market to the lower end market, coupled with a continuing decline in demand as the Group's products were mainly sold to customers in the construction and decoration industry which has, in turn, been affected by the downturn in the real property market in Asia. As stated in the unaudited profit and loss accounts of the Group as contained in Appendix I to the Circular, the total turnover of the Group for the six months ended 30 June 2001 was approximately HK\$15.7 million, representing a decline of approximately 50% from the corresponding period in the previous financial year.

The gross profit margin has also deteriorated from approximately 2.8% for the 15 months ended 31 December 1999 to a gross loss margin of approximately 10.9% for the year ended 31 December 2000. The reason for the deterioration of the Group's gross profit position for the 15 months ended 31 December 1999 to gross loss position for the year ended 31 December 2000 was mainly due to keen competition in the wood industry and a reduction in the Group's total turnover due to the continuing sluggish market conditions.

For the six months ended 30 June 2001, the Group's net profit attributable to the Shareholders was approximately HK\$6.7 million, compared to a loss of approximately HK\$13.1 million in the previous corresponding period. For the same period, the Group's net profit attributable to Shareholders included an amount of other revenue of approximately HK\$8.5 million of which approximately HK\$7 million was non-operating in nature ("Non Operating Other Revenue"). For the purpose of our analysis, the Group's net profit attributable to the Shareholders for the six months ended 30 June 2001 of approximately HK\$6.7 million was adjusted to take account of a write-back of an overprovision of tax in the prior years of approximately HK\$8.5 million and the Non Operating Other Revenue which results in an adjusted loss of approximately HK\$8.8 million ("Adjusted Loss"). The Adjusted Loss represents a decrease of approximately HK\$4.3 million from the loss of approximately HK\$13.1 million in the previous corresponding period. The Directors have confirmed that such decrease was mainly due to the exercise of stringent cost control procedures during the six months ended 30 June 2001 resulting in a reduction in administrative expenses of approximately HK\$2.2 million.

The Group will continue to pursue opportunities to actively develop its core business and the Directors are seeking new investments to enhance the Group's profitability. In this regard, we are of the view that that the proceeds of the Convertible Loan Notes will provide flexibility to the Group to take advantage of future investment opportunities when such opportunities arise including but not limited to the Proposed Investment and accordingly, we are of the view that the Subscription Agreement is in the interests of SEAWI and its shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. Terms of the Convertible Loan Notes

(a) Comparison of the Conversion Price to the price of the most recent fund raising exercise

As disclosed in the announcement of SEAWI dated 20 April 2001, SEAWI placed and issued 1,000,000,000 shares (“Placing Shares”) to Keentech at a price of HK\$0.15 per Placing Share (“Placing Price”). For the purpose of our analysis of the comparison of the Conversion Price to the Placing Price, we have adjusted the Placing Price to HK\$0.75 per Share (“Adjusted Placing Price”), taking into account the consolidation of every five shares of HK\$0.01 each in the share capital of SEAWI into one share of HK\$0.05 each which became effective on 27 June 2001. The Adjusted Placing Price represents a discount of approximately 55.9% to the closing price of the Shares as at 20 April 2001, a discount of approximately 29.7% and 9.6% to the average closing prices for the ten-day period and one-month period up to and including 20 April, 2001 respectively. The respective discounts of the Conversion Price to the closing price/average closing price of the Shares on the date/during the respective periods are set out below, which range from approximately 16.5% to approximately 22.0%, falls within the range of discounts compared under the most recent fund raising exercise of SEAWI.

As the subscriber of both the Placing Shares and the Convertible Loan Notes is Keentech and based on the fact that the financial situation of the Group has not materially changed since the placing save for the borrowing of the Loan, we consider the Subscription Agreement is in the interests of SEAWI and its shareholders as the Conversion Price represents a premium to the price of the most recent fund raising exercise of SEAWI.

(b) Comparison of the Conversion Price to the market price and analysis of trading volume

Pursuant to the Subscription Agreement, the Convertible Loan Notes shall be converted at a Conversion Price of HK\$0.85 per Share, subject to adjustment. Set out below are the closing prices/average closing price of the Shares as quoted on the Stock

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

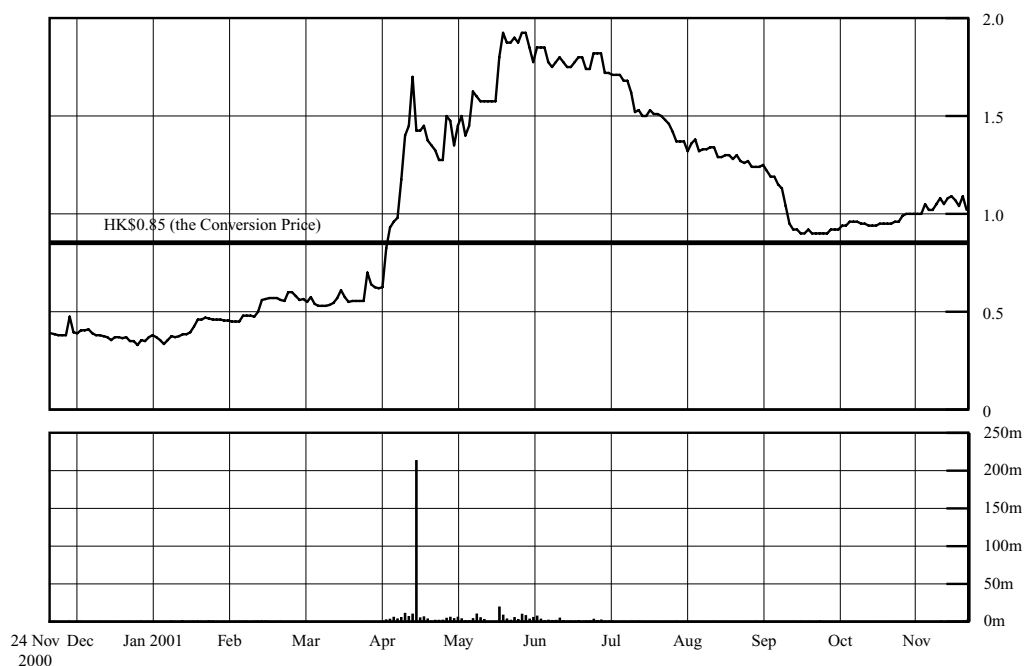
Exchange on the date/during the respective periods as stated below and the discount of the Conversion Price to such prices:

Date / period	Closing price/ average closing price for the period	Discount of the Conversion Price to the closing price/ average closing price
As at 23 November 2001	HK\$1.090	22.0%
Ten-day period up to and including 23 November 2001	HK\$1.059	19.7%
One-month period up to and including 23 November 2001	HK\$1.018	16.5%

Source: Bloomberg

As shown in the above table, the discount of the Conversion Price to the closing price/average closing price for the different periods described above ranged from approximately 16.5% to approximately 22.0%.

The following diagram depicts the historical closing prices and the trading volume of the Shares for the one year period up to and including 23 November 2001, being the last trading date immediately preceding the date of the Subscription Agreement.



Source: Bloomberg

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As illustrated in the table and diagram above, the Conversion Price represents a discount to the closing price of the Shares as at 23 November 2001 (being the last trading day preceding the date of the Subscription Agreement) and the average closing price of the Shares for the different periods described above. Meanwhile, the liquidity of the Shares since the beginning of January 2001 and until 23 November 2001 was low with an average daily turnover of approximately 1,100,000 Shares (excluding the placement of 200,000,000 Shares on 23 April 2001 to Keentech) representing approximately 0.05% of the entire existing issued share capital of SEAWI of 2,120,000,000 Shares.

Given the thin trading volume of the Shares, which has decreased from approximately 11.6 million Shares in July 2001 to 690,000 Shares in October 2001, the Directors consider that it would be difficult to raise equity or convertible equity funds for an amount equal to the principal amount of the Convertible Loan Notes (representing, on full conversion at the Conversion Price, approximately 55.49% of the existing issued share capital of SEAWI) without a significant discount to the then prevailing market price of the Shares. Additional factors that contribute to this difficulty include the loss making track record of SEAWI since 30 September 1998 to 31 December 2000 (for the year ended 31 December 2000, the Group's net profit attributable to the Shareholders was approximately HK\$41.2 million which included a waiver of indebtedness due to bank creditors of approximately HK\$59.6 million) and the decline in the Group's turnover from approximately HK\$440 million for the year ended 30 September 1998 to approximately HK\$304 million for the 15 months ended 31 December 1999 and to approximately HK\$58 million for the year ended 31 December 2000. For the six months ended 30 June 2001, the Group's net profit attributable to Shareholders was approximately HK\$6.7 million. For the purpose of our analysis, the Group's net profit attributable to Shareholders for the six months ended 30 June 2001 of approximately HK\$6.7 million was adjusted to take account of a write-back of an overprovision of tax in the prior years of approximately HK\$8.5 million and the Non Operating Other Revenue of approximately HK\$7.0 million, resulting in an adjusted loss of approximately HK\$8.8 million. In these circumstances, based on the thin trading volume of the Shares, the loss making track record and the principal amount of the Convertible Loan Notes, the Directors consider that it is reasonable to set the Conversion Price per Share at a discount which is approximately 22% to the closing price of the Shares on 23 November 2001, which was arrived at after an arm's length negotiations between SEAWI and Keentech. We concur with the Directors' view in this regard.

(c) Comparison of the Conversion Price to the net tangible assets value of the Group

According to the interim report of the Group for the six months ended 30 June 2001, the unaudited consolidated net tangible assets value of the Group as at 30 June 2001 was approximately HK\$256 million, equivalent to approximately HK\$0.12 per Share, based on 2,120,000,000 Shares currently in issue.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Accordingly, the Conversion Price of HK\$0.85 per Share represents a significant premium of approximately 6.08 times to the unaudited consolidated net tangible assets value per Share of SEAWI as at 30 June 2001.

4. Effect of the Convertible Loan Notes

(a) *Effect on net tangible assets value*

The following calculations are based on the audited consolidated net assets value of the Group as at 31 December 2000 adjusted by the unaudited consolidated profit and loss account for the six months ended 30 June 2001 and assuming the full conversion of the Convertible Loan Notes and the number of Shares in issue as at the Latest Practicable Date:

	<i>HK\$'000</i>
Audited consolidated net assets value as at 31 December 2000	104,391
Net proceeds from the subscription of new Shares pursuant to a subscription agreement dated 20 April 2001	146,816
Unaudited consolidated net profit attributable to Shareholders for the six months ended 30 June 2001	6,732
Movement in translation reserve	<u>(2,118)</u>
Unaudited consolidated net assets value of the Group as at 30 June 2001	255,821
Decrease in liability upon full conversion of the Convertible Loan Notes	<u>997,500</u>
Pro forma adjusted unaudited consolidated net assets value of the Group immediately after full conversion of the Convertible Loan Notes	<u><u>1,253,321</u></u>
Unaudited consolidated net assets per Share as at 30 June 2001 (<i>Note 1</i>)	<u><u>HK12.07 cents</u></u>
Pro forma adjusted unaudited consolidated net assets per Share immediately after full conversion of the Convertible Loan Notes (<i>Note 2</i>)	<u><u>HK38.02 cents</u></u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Based on 2,120,000,000 Shares in issue as at the Latest Practicable Date.
2. Based on 3,296,470,588 Shares as enlarged by the issue of the Conversion Shares upon the full conversion of the Convertible Loan Notes.

Based on the above, the net tangible assets per Share will increase almost 3.15 times from approximately HK\$0.1207 per Share to approximately HK\$0.3802 per Share if full conversion of the Convertible Loan Notes should occur at the Conversion Price.

(b) Effect on liquidity and gearing

Based on the unaudited consolidated balance sheet of the Group as at 30 June, 2001, the Loan of HK\$1,000,000,000 advanced by Keentech to SEAWI in May 2001 accounts for more than 85.1% and 98.2% of the total current assets and current liabilities respectively of the Group as at 30 June 2001. The Group's total cash and bank balances and loans as at 30 June 2001 were approximately HK\$1,154 million and HK\$1,024 million respectively. The net cash position of the Group before the conversion of the Convertible Loan Notes will be approximately HK\$130 million, representing approximately HK\$0.06 per Share, based on 2,120,000,000 Shares currently in issue as at the Latest Practicable Date. If the Convertible Loan Notes had been converted at that time, and the cash derived therefrom had not yet been used for the Proposed Investment, the total cash and bank balances of the Group will amount to approximately HK\$1,152 million while the total loans of the Group will amount to approximately HK\$24 million and the net cash position of the Group would be approximately HK\$1,128 million, representing approximately HK\$0.34 per Share, based on 3,296,470,588 Shares, which is the sum of 2,120,000,000 Shares in issue as at the Latest Practicable Date and 1,176,470,588 Shares to be issued upon the full conversion of the Convertible Loan Notes.

(c) Earnings

The proceeds from the issue of the Convertible Loan Notes are intended to be used primarily for funding the Proposed Investment. SEAWI is in discussions with regard to the Proposed Investment but no binding agreement or commitment has been entered into. In order to be able to participate in such discussions, SEAWI has given strict confidentiality undertakings and as a result, no details of the Proposed Investment were available to us. Accordingly, we are not able to predict the expected return on the Proposed Investment to be made by the Group with the proceeds of the Convertible Loan Notes and accordingly the effect on the earnings of the Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Nevertheless, the Directors expect that, based on preliminary figures, the Proposed Investment, if concluded, will need to be separately approved by the Independent Shareholders at another special general meeting after the Shareholders have been given relevant information on the Proposed Investment which complies (subject to relevant waivers) with the Listing Rules and the Takeovers Code.

As disclosed in the 2000 annual report of the Group, the basic earnings per Share for the year ended 31 December 2000 was HK1.14 cents based on the consolidated net profit attributable to the Shareholders of approximately HK\$41.2 million and the weighted average number of 3,624,590,164 Shares (being the weighted average number of Shares before taking into account the consolidation of shares in the issued share capital of SEAWI on 27 June 2001) deemed in issue for the year ended 31 December 2000.

For the purpose of our analysis of the dilution effect of the earnings per Share of the full conversion of the Convertible Loan Notes, the pro forma earnings per Share of the Group based on the consolidated profit attributable to the Shareholders of approximately HK\$41.2 million and the 2,120,000,000 Shares currently in issue as at the Latest Practicable Date was approximately HK1.94 cents. Assuming the full conversion of the Convertible Loan Notes at the Conversion Price, the pro forma diluted earnings per Share for the year ended 31 December 2000 was approximately HK1.55 cents based on the consolidated net profit attributable to the Shareholders of approximately HK\$51.2 million (as adjusted for the interest, which would have otherwise been earned by the Group, if the Convertible Loan Notes had been converted at the beginning of 2001, at a prevailing rate of approximately 1% per annum, as quoted by CITIC Ka Wah Bank Limited on a one-month fixed time deposit) and the 3,296,470,588 Shares as enlarged by the Conversion Shares. The pro forma diluted earnings per Share of HK1.55 cents represents a discount of approximately 20.1% to the pro forma earnings per Share of HK1.94 cents for the year ended 31 December 2000.

(d) Dilution on the shareholding of the Independent Shareholders

As at the Latest Practicable Date, the subscriber of the Convertible Loan Notes, Keentech, is beneficially interested in 188,918,000 Shares, representing approximately 8.91% of the entire issued share capital of SEAWI. Keentech is an indirect wholly owned subsidiary of CITIC.

Assuming full conversion by Keentech of the Convertible Loan Notes into Shares at the conversion price of HK\$0.85 per Share, SEAWI will issue to Keentech 1,176,470,588 Shares, representing approximately 55.49% of the existing issued share capital of SEAWI and approximately 35.69% of the enlarged issued share capital of SEAWI based on

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

2,120,000,000 Shares in issue (assuming that no new Shares will be issued) as at the Latest Practicable Date. The dilution effect on the shareholding of shareholders of SEAWI other than Keentech is shown below.

	Shareholding as at the Latest Practicable Date	Shareholding upon conversion of the Convertible Loan Notes in full
	<i>Percentage</i>	<i>Percentage</i>
United Star International Inc. (existing controlling shareholder of SEAWI)	67.93	43.68
Keentech	8.91	41.42
Existing Independent Shareholders	23.16	14.90
	<u>100.00</u>	<u>100.00</u>

As shown in the above table, the shareholding interests of the Independent Shareholders will be reduced from approximately 23.16% to approximately 14.90% assuming the full conversion of the Convertible Loan Notes at the Conversion Price. SEAWI and its controlling shareholder, United Star International Inc., have undertaken to the Stock Exchange that, in the event the number of Shares held by the public should fall below 25% of the entire issued share capital of SEAWI following the conversion of the Convertible Loan Notes and the allotment and issue of the Conversion Shares, 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.

Independent Shareholders should note that if the public float cannot be maintained in accordance with Rule 8.08 of the Listing Rules immediately after the conversion of the Convertible Loan Notes, trading in the Shares may be suspended for a prolonged period until the public float is maintained. Notwithstanding this, it is set out in the Letter from the Board in the Circular that SEAWI and United Star International Inc. will use their best commercial efforts to ensure that a sufficient public float exists for the Shares. Even if trading in the Shares is allowed, Independent Shareholders should note that the Stock Exchange reserves its right to suspend trading of the Shares in the event of any unusual price movements in the Shares.

(e) Conclusion

Although the aggregate percentage shareholding of the Independent Shareholders in SEAWI and the earnings per Share will be diluted as a result of the Subscription

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Agreement and the full conversion of the Convertible Loan Notes, the liquidity, the gearing and the underlying asset value of the Group will be improved as discussed in (a) and (b) above. It should also be noted that whilst there is an intended purpose for the use of proceeds from the Convertible Loan Notes, such proceeds may still be utilised for other purposes in the event the Proposed Investment does not proceed and Keentech elects to convert the Convertible Loan Notes into Shares or being required to convert under the “Mandatory Conversion Provisions”. Accordingly, we are of the view that the Subscription Agreement is in the interests of the Independent Shareholders even though their percentage holding in SEAWI and the earnings per Share will be diluted.

THE WHITEWASH WAIVER

Upon the full conversion of the Convertible Loan Notes by Keentech at the Conversion Price, Keentech’s shareholding in SEAWI will be approximately 41.42% of the issued share capital of SEAWI as enlarged by the issue of the Conversion Shares (based on the number of issued Shares as at the Latest Practicable Date and without taking into account any other Shares that may be issued). Consequently, Keentech would be required to make a mandatory general offer pursuant to Rule 26 of the Takeovers Code.

Keentech has applied to the Executive for the Whitewash Waiver. The Executive has agreed to grant the Whitewash Waiver, which is subject to the Independent Shareholders’ approval by poll at the Special General Meeting. In the event that the Whitewash Waiver is not approved and the number of Conversion Shares that are allotted and issued to Keentech increases to or above 30% of the issued share capital of SEAWI, Keentech and parties acting in concert with it would be required to make a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code based on the highest price paid for the Shares by Keentech and parties acting in concert with it in the six months prior to the date of the Whitewash Waiver Announcement. In the absence of any other acquisition of Shares, the offer price payable by Keentech and parties acting in concert with it would be HK\$0.85.

As at the close of business on the Latest Practicable Date, the Shares were traded at HK\$1.32 per Share. The average closing price of the Shares for the five consecutive trading days up to and including the Latest Practicable Date was approximately HK\$1.30 per Share, and the average closing price of the Shares for the 28 consecutive trading days since the date of the Subscription Agreement up to and including the Latest Practicable Date was approximately HK\$1.29 per Share. As the current Share price was consistently above the price of HK\$0.85 per Share or the Conversion Price, Independent Shareholders who wish to exit their investments in SEAWI would realise a greater return by disposing of their Shares in the open market.

Independent Shareholders who wish to exit from their investments in SEAWI should make reference to their respective investment objectives when deciding on the timing of any disposal. Those who would prefer to exercise their votes in respect of the Whitewash Waiver and the

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Creeper Authorisation may choose to cast their votes as Shareholders during the Special General Meeting and then decide on whether to dispose of their investments, while those who would prefer to make their disposal decisions based on the market value of the Shares should closely monitor the current Share price and may choose to dispose of their investments based on the current Share price.

In view of the price differential between the recent Share price and the price that would be required for the mandatory general offer, we consider that the Independent Shareholders who wish to exit from their investments in SEAWI would be unlikely to be better off with the mandatory general offer. Since we do not consider the mandatory general offer to be a relevant consideration for Independent Shareholders in protecting their interests and based on our opinion as mentioned above that the Subscription Agreement is in the interests of SEAWI and its shareholders as a whole, we would recommend the Independent Shareholders to vote in favour of the Whitewash Waiver.

In the event the Whitewash Waiver is not granted, Keentech has confirmed that 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 Keentech and parties acting in concert with it holding Shares representing less than 30% of the entire issued share capital of SEAWI from time to time. In other words, Keentech would exercise the Convertible Loan Notes only to the extent that it will not trigger a mandatory general offer pursuant to Rule 26.1 of the Takeovers Code. Shareholders would not have the benefit of any offer from Keentech and would only be able to dispose of their investments in the open market. As mentioned above, we are of the opinion that the terms of the Convertible Loan Notes are fair and reasonable and that the Subscription Agreement is in the interests of SEAWI and its shareholders as a whole. Accordingly, taking the Subscription Agreement and the Whitewash Waiver as a whole, it would be in the interests of the Independent Shareholders to vote in favour of the grant of the Whitewash Waiver.

THE CREEPER AUTHORISATION

Under Note 15 to Rule 26.1 of the Takeovers Code, if the Whitewash Waiver is granted and approved by the Independent Shareholders and assuming the full conversion of the Convertible Loan Notes, Keentech and parties acting in concert with it will be precluded from acquiring additional voting rights of SEAWI pursuant to Rule 26 of the Takeovers Code for a period of 12 months immediately following the conversion of any of the Convertible Loan Notes, unless such further acquisition is authorised by the passing of a resolution by the Independent Shareholders at the Special General Meeting.

Accordingly, the Creeper Authorisation, if approved by the Independent Shareholders, will allow Keentech and parties acting in concert with it to increase their shareholding in SEAWI by not more than 2% of the entire issued share capital of SEAWI (or such other limit as may from

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time to time be specified in the Takeovers Code) from time to time during the 12-month period immediately following the conversion of any of the Convertible Loan Notes without incurring an obligation to make a general offer for the securities of SEAWI not already owned or agreed to be acquired by them under Rule 26 of the Takeovers Code.

Independent Shareholders should note that if the Creeper Authorisation is granted to Keentech, the Independent Shareholders will forego the possibility of receiving a general offer from Keentech and parties acting in concert with it should Keentech and parties acting in concert with it acquire additional Shares during the 12-month period following the conversion of any of the Convertible Loan Notes.

We consider that the grant of the Creeper Authorisation may increase the flexibility of possible future change in the capital structure of SEAWI in certain circumstances including but not limited to repurchase of Shares by SEAWI, rights issue of Shares in which some of the public shareholders of SEAWI do not take up their rights entitlement and placing of new Shares to Keentech and parties acting in concert with it to the extent that Keentech and parties acting in concert with it would increase their shareholding in SEAWI by not more than 2% of the entire issued share capital of SEAWI (or such other limit as may from time to time be specified in the Takeovers Code) from time to time during the 12-month period immediately following the conversion of any of the Convertible Loan Notes. Based on the reason that the Creeper Authorisation may increase the flexibility of possible future change in the capital structure of SEAWI, we are of the view that it would be in the interests of the Independent Shareholders to vote in favour of the grant of the Creeper Authorisation.

RECOMMENDATION

Having considered the principal factors and reasons as mentioned above, we are of the opinion that the terms of the Convertible Loan Notes, the Whitewash Waiver and the Creeper Authorisation are fair and reasonable so far as the Independent Shareholders are concerned and the issue of the Convertible Loan Notes is in the interests of SEAWI and its shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolutions 3 and 4 at the Special General Meeting.

Yours faithfully,
For and on behalf of
Kim Eng Capital (Hong Kong) Limited
Michael Chum
Director

1. FINANCIAL INFORMATION

(A) Summary of financial results for each of the years ended 30 September 1996, 1997 and 1998, for the 15 months ended 31 December 1999 and the year ended 31 December 2000.

The following is extracted from the published combined results and of the assets and liabilities of the Group prepared on the basis set out below with additions as to earnings (or loss) per share, dividends, dividends per Share and extraordinary items to comply with the Takeovers Code:

RESULTS

	For the year ended 31 December 2000	For the 15 months ended 31 December 1999	1998	For the year ended 30 September	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	1997	1996
				<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>58,451</u>	<u>303,654</u>	<u>440,177</u>	<u>442,978</u>	<u>199,212</u>
Profit/(loss) before exceptional items	23,888	(115,610)	764	74,974	26,762
Exceptional items	<u>–</u>	<u>(263,450)</u>	<u>(17,628)</u>	<u>11,926</u>	<u>–</u>
Profit/(loss) before tax	23,888	(379,060)	(16,864)	86,900	26,762
Tax	<u>17,183</u>	<u>–</u>	<u>–</u>	<u>(9,204)</u>	<u>(3,510)</u>
Profit/(loss) before minority interests	41,071	(379,060)	(16,864)	77,696	23,252
Minority interests	<u>153</u>	<u>555</u>	<u>10,585</u>	<u>796</u>	<u>172</u>
Net profit/(loss) attributable to shareholders	<u>41,224</u>	<u>(378,505)</u>	<u>(6,279)</u>	<u>78,492</u>	<u>23,424</u>
Earnings/(Loss) per share – basic	<u>1.14 cents</u>	<u>(63.08 cents)</u>	<u>(0.78 cent)</u>	<u>16.38 cents</u>	<u>6.24 cents</u>
Dividends	<u>Nil</u>	<u>Nil</u>	<u>9,000</u>	<u>7,800</u>	<u>5,460</u>
Dividends per Share	<u>Nil</u>	<u>Nil</u>	<u>1.48 cents</u>	<u>1.33 cents</u>	<u>1.25 cents</u>

ASSETS AND LIABILITIES

	31 December		1998	30 September	
	2000	1999		1997	1996
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	116,381	127,998	418,378	299,286	262,618
Long term investments	9,431	10,998	–	–	–
Other long term assets	–	–	21,021	24,937	4,516
Current assets	34,703	53,372	282,820	236,933	65,333
Total assets	160,515	192,368	722,219	561,156	332,467
Current liabilities	32,662	220,123	225,974	88,577	92,227
Long term bank and other loans	23,462	40,451	221,044	146,539	143,988
Long term portion of lease payable	–	–	12,761	–	–
Total liabilities	56,124	260,574	459,779	235,116	236,215
Minority interests	–	4,257	16,341	7,075	7,870
Net assets/(liabilities)	104,391	(72,463)	246,099	318,965	88,382

- (A) The summary of the published combined results of the Group for the year ended 30 September 1996 was extracted from SEAWI's prospectus dated 26 August 1997.
- (B) The Group's consolidated balance sheet as at 30 September 1996 was extracted from the published financial statements for the year ended 30 September 1997, prepared on the basis that the Group had been in existence as at 30 September 1996.
- (C) During the year ended 31 December 2000, the directors resolved that the financial statements of the Group should be stated in Hong Kong dollars instead of United States dollars. The comparative amounts have been translated into Hong Kong dollars from United States dollars using the applicable rate of exchange.
- (D) There were no extraordinary items for the five financial years ended 31 December 2000.

(B) Auditor's Report

Set out below is the text of the auditors' report and the audited consolidated financial statements of the Group for the year ended 31 December 2000 as extracted from SEAWI's annual report for the year ended 31 December 2000. (References to page numbers in the report are to those pages in that annual report).



安永會計師事務所

To the members

South East Asia Wood Industries Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 23 to 54 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2000 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

EMPHASIS OF MATTER

Without qualifying our opinion above, we draw attention to the fact that certain subsidiaries disposed of in the prior year, representing the Group's entire operations in Lao People's Democratic Republic (the "Laos Operations") which were consolidated for the period from 1 October 1998 up to the date of their disposal in the comparative amounts to the current year's financial statements, were consolidated based on their unaudited management accounts. Further details of the amounts so consolidated are set out in notes 6 and 23(b) to the financial statements. As explained in our qualified audit opinion for the period ended 31 December 1999, dated 26 July 2000, we were unable to obtain sufficient information to satisfy ourselves that the amounts so consolidated in respect thereof were fairly stated. Any adjustments to these comparative amounts would affect the classification of the consolidated profit and loss account. For the same reasons, we had been unable to satisfy ourselves that the comparative amounts of the analysis of the operations and the analysis of net assets disposed of set out in note 6 and note 23(b) to the financial statements, respectively, with respect to the Laos Operations were fairly stated.

Ernst & Young

Certified Public Accountants

Hong Kong
12 April 2001

(C) Audited Consolidated Financial Statements

The following financial information has been extracted from SEAWI's 2000 annual report:

Consolidated Profit and Loss Account

For the year ended 31 December 2000

		Year ended 31 December 2000	Period from 1 October 1998 to 31 December 1999
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	4	58,451	303,654
Cost of goods sold		<u>(64,851)</u>	<u>(295,050)</u>
Gross profit/(loss)		(6,400)	8,604
Other revenue	4	4,167	10,124
Waiver of indebtedness due to bank creditors	5	59,591	–
Selling and distribution costs		(2,204)	(37,799)
Administrative expenses		(20,196)	(46,506)
Other operating expenses		<u>(4,837)</u>	<u>(258,969)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	30,121	(324,546)
Finance costs	9	<u>(6,233)</u>	<u>(54,514)</u>
PROFIT/(LOSS) BEFORE TAX		23,888	(379,060)
Tax	10	<u>17,183</u>	<u>–</u>
PROFIT/(LOSS) BEFORE MINORITY INTERESTS		41,071	(379,060)
Minority interests		<u>153</u>	<u>555</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	11	<u>41,224</u>	<u>(378,505)</u>
EARNINGS/(LOSS) PER SHARE – BASIC	12	<u>1.14 cents</u>	<u>(63.08 cents)</u>

Consolidated Statement of Recognised Gains and Losses*For the year ended 31 December 2000*

		Year ended 31 December 2000	Period from 1 October 1998 to 31 December 1999
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange difference on translation of the financial statements of foreign entities	22	—	3,916
Net gains not recognised in the profit and loss account		—	3,916
Net profit/(loss) attributable to shareholders		41,224	(378,505)
Total recognised gains and losses		41,224	(374,589)
Capital reserve arising on acquisition of the remaining shareholdings of an existing subsidiary	22	4,104	—
		<u>45,328</u>	<u>(374,589)</u>

APPENDIX I**FINANCIAL INFORMATION****Consolidated Balance Sheet***At 31 December 2000*

		2000	1999
	<i>Notes</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
NON-CURRENT ASSETS			
Fixed assets	13	116,381	127,998
Long term investment	14	9,431	10,998
		<u>125,812</u>	<u>138,996</u>
CURRENT ASSETS			
Inventories	16	8,103	14,243
Prepayments, deposits and other receivables		4,594	29,199
Accounts receivable	17	1,497	2,582
Pledged bank deposits		–	4,680
Cash and bank balances		20,509	2,668
		<u>34,703</u>	<u>53,372</u>
CURRENT LIABILITIES			
Tax payable		–	17,183
Current portion of lease payables		–	15,920
Accrued liabilities and other payables	19	28,260	32,768
Accounts payable	18	4,402	21,325
Bank loans		–	32,627
Trust receipt loans		–	86,096
Bank overdrafts, unsecured		–	14,204
		<u>32,662</u>	<u>220,123</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2,041</u>	<u>(166,751)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		127,853	(27,755)
NON-CURRENT LIABILITIES			
Long term other loans	20	(23,462)	(40,451)
MINORITY INTERESTS		–	(4,257)
		<u>104,391</u>	<u>(72,463)</u>
SHAREHOLDERS' EQUITY/ (DEFICIENCY IN ASSETS)			
Share capital	21	96,000	60,000
Reserves	22	8,391	(132,463)
		<u>104,391</u>	<u>(72,463)</u>

Peter Kwok Viem
Director

Ma Ting Hung
Director

Consolidated Cash Flow Statement*For the year ended 31 December 2000*

		Year ended 31 December 2000	Period from 1 October 1998 to 31 December 1999
	<i>Notes</i>	<i>HK\$ '000</i>	<i>HK\$ '000</i>
NET CASH INFLOW FROM OPERATING ACTIVITIES	23(a)	28,740	55,778
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		724	–
Interest paid		(6,233)	(52,634)
Interest element of finance lease rental payments		–	(1,880)
Net cash outflow from returns on investments and servicing of finance		(5,509)	(54,514)
TAX		–	–
INVESTING ACTIVITIES			
Purchases of fixed assets		(3,574)	(10,444)
Proceeds from disposal of fixed assets		10,825	–
Net cash inflow from disposal of subsidiaries	23(b)	–	679
Net cash outflow in respect of the reclassification of a subsidiary under long term investment	23(c)	–	(125)
Decrease/(increase) in pledged bank deposits		4,680	(679)
Net cash inflow/(outflow) from investing activities		11,931	(10,569)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING ACTIVITIES		35,162	(9,305)
FINANCING ACTIVITIES	23(d)		
Issue of new shares		135,000	–
Shares issue expenses		(3,474)	–
Inception of bank loans		–	1,771
Repayment of bank loans		(48,547)	–
Repayment of other loans		–	(5,624)
Capital element of finance lease payments		–	(3,713)
Net cash inflow/(outflow) from financing activities		82,979	(7,566)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		118,141	(16,871)

	Year ended 31 December 2000 <i>HK\$'000</i>	Period from 1 October 1998 to 31 December 1999 <i>HK\$'000</i>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	118,141	(16,871)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	(97,632)	(81,307)
Effect of exchange differences, net	—	546
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	<u>20,509</u>	<u>(97,632)</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	20,509	2,668
Bank overdrafts, unsecured	—	(14,204)
Trust receipt loans, with original maturities of less than three months	—	(86,096)
	<u>20,509</u>	<u>(97,632)</u>

Company Balance Sheet*At 31 December 2000*

	<i>Notes</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
INTERESTS IN SUBSIDIARIES	15	104,389	–
CURRENT ASSETS			
Bank balances		11	8
CURRENT LIABILITIES			
Accrued liabilities and other payables		<u>(9)</u>	<u>(185)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>2</u>	<u>(177)</u>
		<u>104,391</u>	<u>(177)</u>
SHAREHOLDERS' EQUITY/ (DEFICIENCY IN ASSETS)			
Share capital	21	96,000	60,000
Reserves	22	<u>8,391</u>	<u>(60,177)</u>
		<u>104,391</u>	<u>(177)</u>
Peter Kwok Viem <i>Director</i>		Ma Ting Hung <i>Director</i>	

Notes to Financial Statements*31 December 2000***1. CORPORATE INFORMATION**

The head office and principal place of business of South East Asia Wood Industries Holdings Limited is Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

During the year, the Group was involved in the manufacture and sale of plywood and fancy plywood.

The directors consider United Star International Inc., a company incorporated in the British Virgin Islands, to be the Company's ultimate holding company.

2. IMPACT OF NEW STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following SSAPs have been adopted for the first time in the preparation of the current year's consolidated financial statements, together with a summary of their major effects.

- SSAP 1 : Presentation of Financial Statements
- SSAP 2 : Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies
- SSAP 24 : Accounting for Investments in Securities

SSAP 1 prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The formats of the profit and loss account and the balance sheets, as set out on pages 23, 25 and 28, respectively, have been revised in accordance with the SSAP, and a statement of recognised gains and losses, not previously required, is included on page 24. Additional disclosures as required are included in the supporting notes to the financial statements.

SSAP 2 prescribes the classification, disclosure and accounting treatment of certain items in the profit and loss account, and specifies the accounting treatment for changes in accounting estimates, changes in accounting policies and the correction of fundamental errors. The principal impact of the SSAP on the preparation of these financial statements is that exceptional items, previously disclosed on the face of the profit and loss account, are now disclosed primarily by way of note (note 6 to the financial statements) and are no longer specifically referred to as "exceptional".

SSAP 24 prescribes the accounting treatment and disclosures for investments in debt and equity securities, including in certain circumstances alternative accounting treatments. For these financial statements, as further explained in the accounting policy note below, long term investments are stated cost less any provisions for diminutions in value, which are considered to be other than temporary in nature, deemed necessary by the directors. There are no prior period adjustments arising from the adoption of SSAP 24 in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong SSAPs, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of the subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation of subsidiaries represents the excess purchase consideration paid over the fair values ascribed to the net underlying assets acquired and is eliminated against reserves in the year of acquisition.

Capital reserve arising on consolidation represents the excess of the fair values ascribed to the acquired underlying net assets of subsidiaries at the date of acquisition over the purchase consideration paid, and is credited to reserves.

On disposal of subsidiaries, the relevant portion of attributable goodwill previously eliminated against reserves is written back and included in the calculation of the gain or loss on disposal.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance.

Revenue

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- (b) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Interests in subsidiaries are stated at cost unless, in the opinion of the directors, there have been permanent diminutions in values, when they are written down to values determined by the directors.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Fixed assets and depreciation

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation. Construction in progress is stated at cost, which includes all development expenditure and other attributable direct costs. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation is provided on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Leasehold land held in Hong Kong	Over the unexpired lease term
Building held in Hong Kong	40 years
Leasehold improvements	10 – 12 years or over the unexpired lease terms, whichever is shorter
Machinery, tools and equipment	10 – 15 years
Furniture and fixtures	4 – 5 years
Motor vehicles	5 years

No depreciation is provided on construction in progress until it is completed and put into commercial use.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

Long term investment

Long term investment represents the Group's interest in Shantou Yi Fat Woods Manufacturing Co., Ltd. ("Shantou Yi Fat"), which is stated at its carrying value as at 30 September 1998, when the Group forfeited its control over this former subsidiary, less any provisions for diminutions in values which are considered to be other than temporary, deemed necessary by the directors. Further details with respect to the Group's investment in Shantou Yi Fat are set out in note 14 to the financial statements.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Operating lease

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The Scheme became effective from 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the Scheme. The assets of the Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the Scheme.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts, but excludes intra-group transactions.

An analysis of the Group's turnover and revenue is as follows:

	Year ended 31 December 2000 HK\$'000	Period from 1 October 1998 to 31 December 1999 HK\$'000
Turnover	58,451	303,654
Other revenue:		
Sales of scraps	2,326	5,502
Subcontracting fee income	–	3,032
Others	1,841	1,590
	<u>62,618</u>	<u>313,778</u>

5. WAIVER OF INDEBTEDNESS DUE TO BANK CREDITORS

As further explained in note 2 "Basis of presentation" to the Company's previous audited financial statements for the period ended 31 December 1999, on 28 June 2000, the Company entered into a conditional debt restructuring and compromise agreement and a conditional share subscription agreement (the "Agreements") with all of its bank creditors and an independent investor (the "Restructuring"). Pursuant to the Agreements, 9,000 million new shares were subscribed by certain independent third parties as further explained in note 21 to the financial statements. Part of the indebtedness due to the bank creditors was repaid in cash funded by the net proceeds arising from the share subscription and the remaining indebtedness of HK\$59,591,000 was waived by the bank creditors. As the Restructuring was completed during the current year on 30 August 2000, the waiver of the indebtedness due to the bank creditors of HK\$59,591,000 was accounted for in the profit and loss account of the current year.

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	Year ended 31 December 2000 HK\$'000	Period from 1 October 1998 to 31 December 1999 HK\$'000
Depreciation	3,520	26,083
Operating lease rentals on:		
Land and buildings	3,605	4,267
Equipment and premises	–	4,914
Auditors' remuneration	600	850
Amortisation of timber concession rights	–	569
Provision for diminution in value of a long term investment	1,567	1,966
Loss on disposal of fixed assets	846	367
Provision for diminution in value of leasehold land and building in Hong Kong	–	13,876
Loss on disposal of operations in Laos	–	164,814*
Loss on assignment of receivables	–	84,763*
Provision for other receivables	3,948	–
Staff costs (including directors' remuneration):		
Wages and salaries	15,419	19,495
Interest income	(724)	–

* On 17 November 1999, in view of the unprofitable manufacturing operations in the Lao People's Democratic Republic ("Laos"), the Company disposed of certain subsidiaries, the principal activity of which was the manufacture of plywood and sawn timber in Laos, to an independent third party. As a result of the disposal, an exceptional loss of HK\$164,814,000 was accounted for in last period.

Along with the disposal, the net receivables relevant to the Group's operations in Laos of HK\$108,163,000 were assigned to the same independent third party for a consideration of HK\$23,400,000. Accordingly, an exceptional loss of HK\$84,763,000 was accounted for in last period.

7. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Year ended 31 December 2000 HK\$'000	Period from 1 October 1998 to 31 December 1999 HK\$'000
Fees:		
Executive directors	–	–
Independent non-executive directors	–	–
Basic salaries, housing, other allowances and benefits in kind:		
Executive directors	5,776	6,614
Independent non-executive directors	–	–
	<u>5,776</u>	<u>6,614</u>

The remuneration of the directors fell within the following bands:

	Number of directors	
Nil – HK\$1,000,000	10	5
HK\$1,000,001 – HK\$1,500,000	1	–
HK\$1,500,001 – HK\$2,000,000	–	2
HK\$2,000,001 – HK\$2,500,000	–	1
	<u>11</u>	<u>8</u>

Except for the remuneration of HK\$523,000 waived by Mr. Yiu Wing Ngok, Steve who resigned on 31 October 2000, there was no arrangement under which any director waived or agreed to waive any remuneration.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals included three (period ended 31 December 1999: three) directors, details of whose remuneration are set out in note 7. The remaining two non-director employees' remuneration is analysed as follows:

	Year ended 31 December 2000 <i>HK\$'000</i>	Period from 1 October 1998 to 31 December 1999 <i>HK\$'000</i>
Basic salaries, housing, other allowances and benefits in kind	<u>1,333</u>	<u>2,239</u>

The remuneration of the non-director, highest paid employees fell within the following bands:

	Number of employees	
Nil – HK\$1,000,000	2	1
HK\$1,000,001 – HK\$1,500,000	<u>–</u>	<u>1</u>
	<u>2</u>	<u>2</u>

9. FINANCE COSTS

	Year ended 31 December 2000 <i>HK\$'000</i>	Period from 1 October 1998 to 31 December 1999 <i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts	6,233	52,634
Finance leases	<u>–</u>	<u>1,880</u>
	<u>6,233</u>	<u>54,514</u>

10. TAX

	Year ended 31 December 2000 <i>HK\$'000</i>	Period from 1 October 1998 to 31 December 1999 <i>HK\$'000</i>
Overprovision in prior years	17,183	–

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the year (period ended 31 December 1999: 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 year.

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

11. NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK\$26,958,000 (period ended 31 December 1999: HK\$269,264,000).

12. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$41,224,000 (period ended 31 December 1999: loss of HK\$378,505,000) and the weighted average of 3,624,590,164 shares (period ended 31 December 1999: 600,000,000 shares) in issue during the year.

The diluted loss per share is not shown because there is no dilution impact for the year (period ended 31 December 1999: Nil).

13. FIXED ASSETS

Group	Leasehold land and building held in Hong Kong <i>HK\$'000</i>	Construc- tion in progress <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Machinery, tools and equipment <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:							
At beginning of year	12,217	90,031	3,598	29,118	716	1,037	136,717
Additions	–	934	1,044	316	492	788	3,574
Disposals	(12,217)	–	(751)	(512)	(317)	–	(13,797)
Transfers in/(out)	–	(90,965)	1,328	89,637	–	–	–
At 31 December 2000	–	–	5,219	118,559	891	1,825	126,494
Accumulated depreciation:							
At beginning of period	1,468	–	605	5,945	218	483	8,719
Provided during the year	229	–	302	2,665	106	218	3,520
Disposals	(1,697)	–	(225)	–	(204)	–	(2,126)
At 31 December 2000	–	–	682	8,610	120	701	10,113
Net book value:							
At 31 December 2000	–	–	4,537	109,949	771	1,124	116,381
At 31 December 1999	10,749	90,031	2,993	23,173	498	554	127,998

14. LONG TERM INVESTMENT

	Group	
	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Unlisted investment	12,964	12,964
Provision for diminution in value:		
At beginning of the year	1,966	–
Provided during the year/period	1,567	1,966
At the end of the year	3,533	1,966
	9,431	10,998

Prior to 1 October 1998, Shantou Yi Fat was accounted for as a subsidiary of the Group. On 1 October 1998, the directors of the Company reassessed the investment in Shantou Yi Fat and entered into a subcontracting agreement and a share transfer agreement (the "Agreements") with the PRC joint venture partner of this entity for the forfeiture of the Group's control in Shantou Yi Fat. In addition, pursuant to the Agreements, at the end of the subcontracting period on 25 December 2006, all of the equity interest in Shantou Yi Fat will be for the sole account of the PRC joint venture partner.

The Group's interest in Shantou Yi Fat is stated at its carrying amount when the Group forfeited its control over this former subsidiary, less provisions for diminutions in values considered to be other than temporary in nature, deemed necessary by the directors.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	173,133	173,133
Due from a subsidiary	279,801	146,738
Due to a subsidiary	(2,775)	(375)
Provisions for diminutions in values	(345,770)	(319,496)
	<u>104,389</u>	<u>—</u>

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Effective equity interest	Principal activities
<i>Directly held</i>				
SEA Wood Investment Holdings Limited (formerly known as LFH Wood Industries (BVI) Limited)	British Virgin Islands	US\$10,000	100%	Investment holding
<i>Indirectly held</i>				
Feston Manufacturing Limited	British Virgin Islands/ The PRC	US\$10,000	100%	Trading of plywood

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FINANCIAL INFORMATION

Name	Place of incorporation/ registration and operations	Paid-up share/ registered capital	Effective equity interest	Principal activities
Feston Manufacturing (HK) Limited	Hong Kong	HK\$2	100%	Dormant
Nusoil Manufacturing Limited	British Virgin Islands/ The PRC	US\$100	100%	Investment holding and trading of plywood and fancy plywood
Wing Lam (International) Timber Limited	Hong Kong	HK\$60,000,000	100%	Investment holding
Dongguan Xinlian Timber Products Company Limited	The PRC	HK\$60,000,000	100%	Manufacture of plywood and fancy plywood
Poly Accord Limited	Hong Kong	HK\$2	100%	Dormant
Dongguan Xingtai Wood Products Company Limited	The PRC	HK\$22,400,000 (Paid-up share capital: Nil)	100%	Operations not yet commenced

16. INVENTORIES

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	1,382	3,884
Work in progress	922	2,574
Finished goods	5,799	7,785
	8,103	14,243
	8,103	14,243

All inventories are stated at cost.

17. ACCOUNTS RECEIVABLE

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aged analysis:		
Within one month	1,224	1,519
30 to 60 days	226	–
61 to 90 days	–	–
Over 90 days	47	1,063
	<u>1,497</u>	<u>2,582</u>

The normal credit terms granted to debtors range from 30 to 45 days.

18. ACCOUNTS PAYABLE

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Aged analysis:		
Within one month	1,335	5,394
30 to 60 days	756	2,626
61 to 90 days	74	675
Over 90 days	2,237	12,630
	<u>4,402</u>	<u>21,325</u>

19. ACCRUED LIABILITIES AND OTHER PAYABLES

Included in accrued liabilities and other payables are amounts due to directors of HK\$3,165,000 (1999: HK\$6,614,000) which are unsecured, interest-free and have no fixed terms of repayment.

20. OTHER LOANS

The other loans from the former shareholders of Wing Lam (International) Timber Limited (“Wing Lam”), a subsidiary of the Group, are unsecured, interest-free and have no fixed terms of repayment.

On 12 April 1999, the former shareholders of Wing Lam confirmed they would indemnify the Group against all monetary losses arising from the litigation detailed in note 25 to the financial statements, and further agreed that the loans from them could be used to settle such indemnity. Based on recent advice received from the Group’s legal advisors, the appeal judgement is not expected to be concluded in the next twelve months and, accordingly, such potential claim is not expected to be payable within one year from the balance sheet date. Such loan amount is therefore classified as a long term liability at the balance sheet date.

On 28 June 2000, Nusoil Manufacturing Limited (“Nusoil”), a wholly-owned subsidiary of the Company, and the former shareholders of Wing Lam entered into an acquisition agreement whereby Nusoil agreed to purchase the remaining other loans owing by Wing Lam to the former shareholders of Wing Lam at a consideration of US\$1,499,900 (equivalent to approximately HK\$11.7 million), resulting in the remaining amounts of the other loans of approximately HK\$12.5 million being waived. As the other loans have been set aside for the purpose of setting off any loss arising from the litigation detailed above and in note 25 to the financial statements, this HK\$12.5 million waiver of the other loans will not be booked until the outcome of the litigation is known.

21. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares	<i>HK\$’000</i>
<i>Authorised:</i>			
Ordinary shares of HK\$0.10 each as at 1 January 2000		1,000,000,000	100,000
Reduction in par value	(a)	9,000,000,000	–
Increase in share capital	(a)	<u>10,000,000,000</u>	<u>100,000</u>
Ordinary shares of HK\$0.01 each as at 31 December 2000		<u>20,000,000,000</u>	<u>200,000</u>
 <i>Issued and fully paid:</i>			
Ordinary shares of HK\$0.10 each as at 1 January 2000		600,000,000	60,000
Reduction in par value	(a)	–	(54,000)
Issue of shares	(b)	<u>9,000,000,000</u>	<u>90,000</u>
Ordinary shares of HK\$0.01 each as at 31 December 2000		<u>9,600,000,000</u>	<u>96,000</u>

- (a) During the year, the following transactions in respect of the share capital of the Company took place:

On 25 August 2000, a special resolution was passed at a special general meeting to:

- (i) reduce the issued share capital from HK\$60,000,000 divided into 600,000,000 shares of HK\$0.10 each to an amount of HK\$6,000,000 divided into 600,000,000 shares of HK\$0.01 each by cancelling paid-up capital to the extent of HK\$0.09 of each issued share of HK\$0.10 in issue and subdividing every share of HK\$0.10 in the unissued share capital of the Company into 10 shares of HK\$0.01 each;

The credit of HK\$54,000,000 arising from the share capital reduction was transferred to the Company's accumulated losses account.

- (ii) increase the authorised share capital of the Company from HK\$100,000,000 to HK\$200,000,000 by the creation of 10,000,000,000 additional shares of HK\$0.01 each.

- (b) On 30 August 2000, an ordinary resolution was passed to issue 9,000,000,000 shares of HK\$0.01 each at a price of HK\$0.015 each to certain independent third parties, resulting in total proceeds net of issue expenses of HK\$131,526,000. These shares rank pari passu in all respects with the shares in issue at that time. Part of the net proceeds were used to repay the indebtedness due to bank creditors with the remaining balances as general working capital for the Group.

Options

On 21 August 1997, the Company adopted a share option scheme under which the directors may, at their discretion, make an offer to any employee of the Company or any of its subsidiaries, including executive directors of the Company or any such subsidiaries, for the grant of options to subscribe for shares of the Company. The subscription price is determinable by reference to the higher of 80% of the average of the closing share price on The Stock Exchange of Hong Kong Limited for the five trading days immediately preceding the date of the offer of the option and the nominal value of the shares. The maximum number of shares in respect of which options may be granted under the share option scheme is limited to 10% of the issued capital of the Company from time to time which have been duly allotted and issued. The scheme became effective upon the listing of the Company's shares on 8 September 1997. As at 31 December 2000, no share options had been granted under the scheme.

22. RESERVES

Group

	Share premium account <i>HKS'000</i>	Contributed surplus <i>HKS'000</i>	Exchange fluctuation reserve <i>HKS'000</i>	Goodwill reserve <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Retained profits/ (accumulated losses) <i>HKS'000</i>	Total <i>HKS'000</i>
At 1 October 1998	85,472	65,527	(60,973)	(19,922)	–	115,995	186,099
Release on disposal of subsidiaries	–	–	56,987	(1,030)	–	–	55,957
Translation differences arising on consolidation	–	–	3,916	–	–	–	3,916
Release of reserve of a former subsidiary	–	–	70	–	–	–	70
Net loss for the period	–	–	–	–	–	(378,505)	(378,505)
At 31 December 1999 and 1 January 2000	85,472	65,527	–	(20,952)	–	(262,510)	(132,463)
Net profit for the year	–	–	–	–	–	41,224	41,224
Premium arising on issue of shares, net of issuing expenses	41,526	–	–	–	–	–	41,526
Arising from acquisition of the remaining shareholdings of an existing subsidiary	–	–	–	–	4,104	–	4,104
Reduction of paid-up capital	–	–	–	–	–	54,000	54,000
At 31 December 2000	<u>126,998</u>	<u>65,527</u>	<u>–</u>	<u>(20,952)</u>	<u>4,104</u>	<u>(167,286)</u>	<u>8,391</u>

Company	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 October 1998	85,472	172,934	(49,319)	209,087
Net loss for the period	<u>–</u>	<u>–</u>	<u>(269,264)</u>	<u>(269,264)</u>
At 31 December 1999 and 1 January 2000	85,472	172,934	(318,583)	(60,177)
Premium arising on issue of shares, net of issuing expenses	41,526	–	–	41,526
Reduction of paid-up capital	–	–	54,000	54,000
Net loss for the year	<u>–</u>	<u>–</u>	<u>(26,958)</u>	<u>(26,958)</u>
At 31 December 2000	<u><u>126,998</u></u>	<u><u>172,934</u></u>	<u><u>(291,541)</u></u>	<u><u>8,391</u></u>

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the former holding company of the Group acquired pursuant to the Group reorganisation prior to the listing of the Company's shares, over the nominal value of the share capital of the Company issued in exchange therefor.

The contributed surplus of the Company represents the excess of the then combined net assets of the subsidiaries acquired, over the nominal value of the share capital of the Company issued in exchange therefor. In accordance with the laws of Bermuda, the Company's contributed surplus may be distributed in certain prescribed circumstances.

23. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities

	Period from	
	Year ended 1 October 1998	31 December to 31 December
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) from operating activities	30,121	(324,546)
Interest income	(724)	–
Depreciation	3,520	26,083
Loss on disposal of fixed assets	846	367
Provision for diminution in value of a long term investment	1,567	1,966
Provision for other receivables	3,948	–
Provision for diminution in value of leasehold land and building in Hong Kong	–	13,876
Loss on disposal of operations in Laos	–	164,814
Loss on assignment of receivables	–	84,763
Amortisation of timber concession rights	–	569
Decrease/(increase) in accounts receivable	1,085	(2,761)
Decrease in inventories	6,140	59,140
Decrease in prepayments, deposits and other receivables	3,668	17,332
Decrease in accounts payable	(16,923)	(21,434)
(Decrease)/increase in accrued liabilities and other payables	(4,508)	29,609
Effect of exchange rate changes on operating results	–	6,000
	<u>28,740</u>	<u>55,778</u>
Net cash inflow from operating activities	<u>28,740</u>	<u>55,778</u>

(b) Disposal of subsidiaries

	Period from	
	Year ended 1 October 1998	31 December to 31 December
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets disposed of:		
Fixed assets	–	236,839
Other long term assets	–	19,484
Cash and bank balances	–	671
Inventories	–	20,147
Accounts receivable	–	866
Prepayments, deposits and other receivables	–	21,497
Due from a minority shareholder	–	8,323
Bank overdrafts	–	(1,349)
Bank loans and lease payables	–	(164,705)
Accounts payable	–	(5,109)
Accrued liabilities and other payables	–	(25,607)
Minority interests	–	(2,200)
	<u>–</u>	<u>–</u>
	–	108,857
Release of goodwill reserve	–	(1,030)
Release of exchange fluctuation reserve	–	56,987
Loss on disposal of operations in Laos	–	(164,814)
	<u>–</u>	<u>–</u>
	<u>–</u>	<u>–</u>
Satisfied by cash	–	–
	<u>–</u>	<u>–</u>

For the period ended 31 December 1999, the subsidiaries disposed of contributed HK\$61,940,000 to turnover and HK\$75,309,000 to the consolidated net loss attributable to shareholders for the period.

In respect of cash flows for 1999, the subsidiaries disposed of during the period contributed HK\$28,166,000 in respect of the Group's net operating cash flows, paid HK\$30,794,000 in respect of the net returns on investments and servicing of finance and obtained HK\$1,560,000 for financing activities.

Analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries

	Period from	
	Year ended 1 October 1998	
	31 December 2000	to 31 December 1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash paid	–	–
Cash and bank balances disposed of	–	(671)
Bank overdrafts disposed of	–	1,350
	<u>–</u>	<u>1,350</u>
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	<u>–</u>	<u>679</u>
(c) Reclassification of a subsidiary as a long term investment		

	Period from	
	Year ended 1 October 1998	
	31 December 2000	to 31 December 1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net assets deconsolidated:		
Fixed assets	–	22,503
Cash and bank balances	–	125
Other receivables	–	172
Other payables	–	(577)
	<u>–</u>	<u>22,223</u>
Minority interests	–	(9,329)
	<u>–</u>	<u>12,894</u>
Exchange fluctuation reserve	–	70
	<u>–</u>	<u>12,964</u>
Reclassified as a long term investment	<u>–</u>	<u>12,964</u>

Analysis of net inflow of cash and cash equivalents in respect of the reclassification of a subsidiary as a long term investment

	Period from Year ended 1 October 1998 31 December to 31 December 2000 <i>HK\$'000</i>		1999 <i>HK\$'000</i>
Cash and bank balances disposed of	–	–	125

(d) Analysis of changes in financing during the year/period

	Share capital and premium account <i>HK\$'000</i>	Loans and finance lease obligations <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Other loans <i>HK\$'000</i>
At 1 October 1998	145,472	241,565	16,341	33,759
Cash outflow from financing	–	(7,566)	–	–
Disposal of subsidiaries	–	(164,705)	(2,200)	–
On reclassification of a subsidiary as a long term investment	–	–	(9,329)	–
Transfer of loans to minority shareholders	–	(16,957)	–	16,957
Set off against accounts receivable	–	–	–	(10,265)
Share of loss for the period	–	–	(555)	–
Exchange adjustments	–	(3,790)	–	–
At 31 December 1999 and 1 January 2000	145,472	48,547	4,257	40,451
Cash inflow/(outflow) from financing	131,526	(48,547)	–	–
Reduction of paid-up capital	(54,000)	–	–	–
Acquisition of the remaining shareholdings of an existing subsidiary	–	–	(4,104)	–
Set off against other receivables	–	–	–	(16,989)
Share of loss for the year	–	–	(153)	–
At 31 December 2000	222,998	–	–	23,462

(e) Major non-cash transactions

- (i) An waiver of indebtedness due to bank creditors of HK\$59,591,000 was accounted for in the profit and loss account of the current year upon the completion of the Restructuring on 30 August 2000. Details of the Restructuring are set out in note 5 to the financial statements.
- (ii) During the year, the share capital of the Company was reorganised as detailed in note 21(a) to the financial statements.

24. CONTINGENT LIABILITIES

	Company	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Guarantees for banking facilities granted to subsidiaries	–	132,928
Guarantees for finance leases granted to subsidiaries	–	15,920
	<u>–</u>	<u>148,848</u>
	<u>–</u>	<u>148,848</u>

The guarantees for banking facilities granted to subsidiaries were utilised to the extent of HK\$132,938,000 at 31 December 1999.

At the balance sheet date, the Group did not have any contingent liabilities.

25. LITIGATION

On 14 January 1999, China Foreign Trade Development Company (“Development Company”) issued a writ of summons against Dongguan Xinlian Timber Products Co., Ltd. (“Dongguan Xinlian”), a subsidiary company held through Wing Lam, in respect of a claim for HK\$49,624,000 together with interest thereon, being the alleged amount due to Development Company under various re-export contracts (the “Claim”). A judgement was issued in respect of the Claim and, pursuant thereto, Dongguan Xinlian is liable to pay an aggregate sum of approximately HK\$26,894,000. However, Dongguan Xinlian filed an appeal against the judgement.

On 23 April 1999, the former shareholders of Wing Lam gave an undertaking in relation to the Group’s acquisition of a 51% equity interest in Wing Lam to indemnify the Group from all losses, liabilities and claims incurred or suffered in connection with the Claim and other prescribed matters arising on or before the completion of this acquisition. The Claim is in respect of contracts entered into by Dongguan Xinlian prior to the Group’s acquisition of the 51% equity interest in Wing Lam. On 12 April 2000, the former shareholders of Wing Lam confirmed they would indemnify all monetary loss arising from the Claim and agreed that the loan due from Dongguan Xinlian to them could be used to set off all such indemnity losses. According to letters dated 17 July 2000 and 21 March 2001 issued by the Group’s legal advisors in connection with this litigation, they had strong evidence to believe that Dongguan Xinlian can succeed in the appeal and no claims or liabilities will be made against Dongguan Xinlian. Taking into account the above considerations, the directors of the Company believe that this litigation will have no impact on the financial results of the Group and no provision is considered necessary.

26. COMMITMENTS

Payments in respect of non-cancellable operating leases for land and buildings committed at the balance sheet date to be made in the following twelve months were as follows:

	Group	
	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Leases which expire:		
In the second to fifth years, inclusive	689	23
Beyond five years	<u>3,566</u>	<u>3,565</u>

At the balance sheet date, the Company did not have any commitments.

27. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of new SSAPs during the current year, the presentation of the profit and loss account, the balance sheets and certain supporting notes have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the board of directors on 12 April 2001.

2. UNAUDITED CONSOLIDATED INTERIM REPORT FOR THE SIX MONTHS ENDED 30 JUNE 2001

The following has been extracted from the unaudited consolidated interim report of the Group for the six months ended 30 June 2001 with additions as to extraordinary items, minority interests and dividends to comply with the Takeovers Code:

	Six months ended	
	30 June	
	2001	2000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	15,717	32,056
Cost of sales	<u>(16,219)</u>	<u>(32,756)</u>
Gross loss	(502)	(700)
Other revenue	8,497	143
Selling and distribution expenses	(206)	(650)
Administrative expenses	(9,595)	(11,777)
Other operating expenses	<u>(12)</u>	<u>(59)</u>
LOSS FROM OPERATING ACTIVITIES	(1,818)	(13,043)
Finance costs	<u>(1)</u>	<u>(72)</u>
LOSS BEFORE TAX	(1,819)	(13,115)
Tax	<u>8,551</u>	<u>–</u>
NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS	<u>6,732</u>	<u>(13,115)</u>
EARNINGS/(LOSS) PER SHARE – BASIC	<u>HK0.34 cent</u>	<u>HK(10.93 cents)</u>

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

There were no extraordinary items, minority interests or dividends paid for the six months ended 30 June 2001.

3. STATEMENT OF THE PRO FORMA UNAUDITED ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is a statement of the pro forma unaudited adjusted consolidated net tangible assets of the Group based on the audited consolidated net assets of the Group as at 31 December 2000 and adjusted as follows:

	<i>HK\$'000</i>
Audited consolidated net assets as at 31 December 2000	104,391
Add: Unaudited consolidated net profit attributable to Shareholders of the Group for the six months ended 30 June 2001	6,732
Add: Net proceeds arising from the issue of new Shares pursuant to a subscription agreement dated 20 April 2001	146,816
Less: Translation reserve	(2,118)
Add: Net proceeds arising from the issue of the Convertible Loan Notes pursuant to the Subscription Agreement	997,500
Pro forma unaudited adjusted consolidated net tangible assets of the Group assuming full conversion of the Convertible Loan Notes	<u>1,253,321</u>
Pro forma adjusted unaudited consolidated net assets per Share assuming full conversion of the Convertible Loan Notes <i>(Note (a))</i>	<u>HK38.02 cents</u>
Pro forma adjusted unaudited consolidated net tangible assets of the Group assuming full redemption of the Convertible Loan Notes	<u>255,821</u>
Pro forma adjusted unaudited consolidated net assets per Share assuming full redemption of the Convertible Loan Notes <i>(Note (b))</i>	<u>HK12.07 cents</u>

Note:

- (a) Based on 3,296,470,588 Shares, (being 2,120,000,000 Shares in issue as at the Latest Practicable Date as enlarged by the issue of 1,176,470,588 Convertible Shares).
- (b) Based on 2,120,000,000 Shares in issue as at the Latest Practicable Date.

4. INDEBTEDNESS OF THE GROUP

At the close of business on 31 October 2001, the latest practicable date for the purpose of ascertaining information relating to this indebtedness statement prior to the printing of this circular, the Group had outstanding borrowings of approximately HK\$1,000,000,000 which was mainly comprised of the Loan.

5. MATERIAL CHANGES

The Directors are not aware of any material changes in the financial or trading position or prospects of the Group since 31 December 2000, the date to which the last published audited accounts of the Group were made up.

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules and the Takeovers Code for the purpose of giving information with regard to the Group.

The information contained in this circular relating to the Group is supplied by SEAWI. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this circular other than any of the information for which the directors of Keentech accept responsibility below and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

The information contained in this circular relating to Keentech and the CITIC Group is provided by Keentech. The directors of Keentech jointly and severally accept full responsibility for the accuracy of the information in relation to Keentech and the CITIC Group contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in this circular in relation to the same have been arrived at after due and careful consideration and there are no other facts not contained in this circular, the omission of which would make any statement contained herein misleading.

The issue of this circular has accordingly been approved by the respective directors of SEAWI and Keentech.

2. FURTHER INFORMATION ABOUT SEAWI**Incorporation**

SEAWI was incorporated in Bermuda on 18 July 1997. Its registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its head office and principal place of business is at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

Share Capital

The authorised and issued share capital of SEAWI as at the Latest Practicable Date and assuming (i) that the proposed increase in the authorised share capital of SEAWI is approved at the Special General Meeting and (ii) 1,176,470,588 Conversion Shares are issued, were and will be as follows:

Authorised Share Capital:

HK\$200,000,000	divided into	4,000,000,000	Shares as at the Latest Practicable Date
HK\$100,000,000	divided into	2,000,000,000	Shares to be created pursuant to resolution no.2 to be proposed and passed at the Special General Meeting
<u>HK\$300,000,000</u>		<u>6,000,000,000</u>	Shares

Share Capital issued as fully paid:

HK\$106,000,000	divided into	2,120,000,000	Shares as at the Latest Practicable Date
HK\$164,823,529	divided into	3,296,470,588	Shares as at the Latest Practicable Date (assuming 1,176,470,588 Conversion Shares are allotted and issued)

Note: All of the existing issued Shares rank pari passu in all respects including as to, amongst others, dividends, voting and interests in capital. The Conversion Shares will rank pari passu in all respects with the then existing issued Shares.

As at the Latest Practicable Date, 200,000,000 Shares in the capital of SEAWI have been issued since 31 December 2000.

3. CONVERTIBLE SECURITIES

As at the Latest Practicable Date, SEAWI had not issued any share options pursuant to the Share Option Scheme. There are no other securities convertible into Shares issued by SEAWI.

4. FURTHER INFORMATION ABOUT KEENTECH

Keentech was incorporated on 25 October 1995.

The authorised and issued share capital of Keentech as at the Latest Practicable Date were as follows:

Authorised:

US\$50,000 divided into 50,000 Shares of US\$1.00 each

Issued as fully paid:

US\$10 divided into 10 Shares of US\$1.00 each

As at the Latest Practicable Date, the entire issued share capital of Keentech was beneficially owned by CITIC International Holdings Limited, a direct wholly owned subsidiary of CITIC.

The directors of Keentech are as follows:

- (a) Mr. Ju Weimin
- (b) Mr. Qiu Yiyong
- (c) Mr. Chan Tak Chi, William

The registered office of Keentech is at P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, the British Virgin Islands.

5. DISCLOSURE OF INTERESTS

- (a) As at the Latest Practicable Date, the Directors and their respective associates had the following interests in the equity or debt securities of SEAWI or options to subscribe for equity or debt securities of SEAWI and its associated corporations (as defined in the SDI Ordinance) which are required to be notified to SEAWI and the Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they are taken or deemed to have under Section 31 or Part I of the Schedule to the SDI Ordinance; or which are required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which are required

pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to SEAWI and the Stock Exchange.

Interest in Shares

Name	Type of interest	Number of Shares
Mr. Kwok Viem, Peter	Corporate	1,440,000,000
Mr. Ma Ting Hung	Corporate	1,440,000,000

Note: The Shares disclosed above are held by United Star International Inc. which is beneficially owned as to 50 per cent. by Mr. Kwok Viem, Peter and as to 50 per cent. by Mr. Ma Ting Hung.

Save as disclosed above, none of the Directors and their respective associates had any interests in the equity or debt securities of SEAWI.

- (b) As at the Latest Practicable Date and save for the Convertible Loan Notes and the Conversion Shares, Keentech was interested in 188,918,000 Shares.

Save as disclosed, Keentech had no interest in any other equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.

- (c) As at the Latest Practicable Date, none of the directors of Keentech had any interests in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (d) As at the Latest Practicable Date, none of the parties acting in concert with Keentech had any interests in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (e) As at the Latest Practicable Date, no subsidiary of SEAWI had any interest in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (f) As at the Latest Practicable Date, no pension fund of SEAWI or of a subsidiary of SEAWI had any interest in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (g) As at the Latest Practicable Date, none of the advisers to SEAWI had any interests in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.

- (h) As at the Latest Practicable Date, none of the advisers to Keentech had any interests in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.

Dealings in securities of SEAWI

- (a) In the period commencing from 27 May 2001 (being six months prior to the date of the Whitewash Waiver Announcement) to the Latest Practicable Date, Keentech disposed of Shares as follows:

Date	Number of Shares	Price per Share
1 June 2001	(400,000)	0.370
4 June 2001	(1,000,000)	0.385
6 June 2001	(200,000)	0.385
13 June 2001	(360,000)	0.360
14 June 2001	(180,000)	0.360
18 June 2001	(300,000)	0.375
18 June 2001	(700,000)	0.363
20 June 2001	(400,000)	0.348
21 June 2001	(600,000)	0.352
22 June 2001	(660,000)	0.355
26 June 2001	(1,000,000)	0.350
27 June 2001	(100,000)	1.750
28 June 2001	(200,000)	1.740
28 June 2001	(200,000)	1.760
29 June 2001	(100,000)	1.700
29 June 2001	(200,000)	1.690
29 June 2001	(76,000)	1.760
3 July 2001	(60,000)	1.802
3 July 2001	(800,000)	1.790
3 July 2001	(140,000)	1.813
4 July 2001	(80,000)	1.810
4 July 2001	(160,000)	1.804
5 July 2001	(200,000)	1.770
5 July 2001	(200,000)	1.789
9 July 2001	(80,000)	1.720
9 July 2001	(100,000)	1.710
9 July 2001	(120,000)	1.737
10 July 2001	(60,000)	1.713
11 July 2001	(120,000)	1.673

Date	Number of Shares	Price per Share
13 July 2001	(300,000)	1.705
16 July 2001	(50,000)	1.700
16 July 2001	(78,000)	1.704
17 July 2001	(100,000)	1.680
20 July 2001	(240,000)	1.505
26 July 2001	(50,000)	1.530
27 July 2001	(140,000)	1.517
30 July 2001	(30,000)	1.530
2 August 2001	(36,000)	1.480
22 August 2001	(14,000)	1.300

Save as disclosed above, Keentech and parties acting in concert with it have not dealt for value in Shares in the period commencing from 27 May 2001 to the Latest Practicable Date.

Note: On 27 June 2001, SEAWI effected a consolidation of its share capital by consolidating every 5 shares of HK\$0.01 each into one Share. All dealings on or before 26 July 2001 which are disclosed above are in respect of shares of HK\$0.01 each in the capital of SEAWI.

- (b) In the period commencing from 27 May 2001 (being six months prior to the date of the Whitewash Waiver Announcement) to the Latest Practicable Date:
- (i) none of the Directors has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI; and
 - (ii) none of the directors of Keentech has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (c) In the period commencing from 27 May 2001 (being six months prior to the date of the Whitewash Waiver Announcement) to the Latest Practicable Date, none of the advisers to Keentech has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.
- (d) In the period commencing from 27 November 2001 (being the date of the Whitewash Waiver Announcement) to the Latest Practicable Date:
- (i) no pension fund of SEAWI or of any subsidiary of SEAWI has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI;

- (ii) no subsidiary of SEAWI has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI;
- (iii) none of the advisers to SEAWI has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI; and
- (iv) neither Kim Eng nor its affiliates has dealt in the equity or debt securities, including warrants, options or other convertible securities convertible into equity or debt securities, of SEAWI.

Agreement to transfer Shares

Neither Keentech nor any party acting in concert with it has entered into any agreement, arrangement or understanding to transfer Shares held or to be held by it upon completion of the Subscription Agreement to any person.

Interests in the shares of Keentech

- (a) As at the Latest Practicable Date, none of the directors of Keentech and their respective associates had any interest in the shares of Keentech.
- (b) As at the Latest Practicable Date, none of SEAWI or its subsidiaries or their respective directors and associates had any interest in the shares of Keentech.

Dealings in the shares of Keentech

None of SEAWI or any of the Directors has dealt in shares of Keentech.

Interests in contracts or arrangements

- (a) As at the Latest Practicable Date, save as disclosed herein, none of the Directors was materially interested in any contract or arrangement to which any member of the Group was a party and which was significant to the business of the Group.
- (b) As at the Latest Practicable Date, none of the Directors was materially interested in any material contract entered into by Keentech.

6. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial shareholders kept by SEAWI under section 16(1) of the SDI Ordinance, the following Shareholder was directly or indirectly interested in 10% or more of the voting power at any general meeting of SEAWI:

Name	No. of Shares	Shareholding
United Star International Inc.	1,440,000,000	67.93%

Note: These interests are also included as corporate interests of Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, as disclosed under “Disclosure of Interests” above.

7. AGREEMENTS CONDITIONAL UPON COMPLETION

- (a) As at the Latest Practicable Date, there was no agreement or arrangement between any of the Directors and any other person which is conditional on the outcome of completion of the Subscription Agreement, the Whitewash Waiver or otherwise connected with the Issue or the Whitewash Waiver.
- (b) Save as disclosed in the section headed “Dealings in securities of SEAWI” above, neither Keentech nor any party acting in concert with it has entered into any agreement, arrangement or understanding which is conditional on the outcome of completion of the Subscription Agreement, the Whitewash Waiver or otherwise connected with the Issue or the Whitewash Waiver.

8. INDEMNITY AND OTHER ARRANGEMENTS

- (a) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with SEAWI or any person who is an associate of SEAWI by virtue of classes (1), (2), (3) and (4) of the definition of associate set out in the Takeovers Code.
- (b) As at the Latest Practicable Date, no person had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with Keentech or any person acting in concert with it.

9. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this circular and are or may be material:

- (i) the debt restructuring and compromise agreement dated 28 June 2000 made between SEAWI, United Star International Inc., The Hongkong and Shanghai Banking Corporation Limited and the Creditors (as defined in such agreement) in relation to a restructuring of the debts of the Group;
- (ii) the share subscription agreement dated 28 June 2000 made between United Star International Inc., SEAWI and Wong Chak Ming, William in relation to the subscription of Shares by United Star International Inc.;
- (iii) the agreement dated 28 June 2000 made between certain former shareholders of Wing Lam (International) Timber Limited, Nusoil Manufacturing Limited and Wing Lam (International) Timber Limited for the sale and purchase of shares in Wing Lam (International) Timber Limited;
- (iv) the share subscription agreement dated 20 April 2001 between SEAWI and United Star International Inc. in relation to the subscription of Shares by United Star International Inc.;
- (v) the Loan Agreement; and
- (vi) the Subscription Agreement.

10. LITIGATION

As at the Latest Practicable Date, neither SEAWI nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim is known to the Directors to be pending or threatened against SEAWI or any of its subsidiaries, save as disclosed below:

- (a) on 14 January 1999, China Foreign Trade Development Company (“China Trade Development”) issued a writ of summons against Dongguan Xinlian Timber Products Co., Ltd. (“Dongguan Xinlian”), a subsidiary company held through Wing Lam (International) Timber Limited (“Wing Lam”), in respect of a claim for HK\$49,624,000 together with interest thereon, being the alleged amount due to China Trade Development under various re-export contracts (the “Claim”). A judgment was issued in respect of the Claim and, pursuant thereto, Dongguan Xinlian is liable to pay an aggregate sum of approximately HK\$26,894,000. However, Dongguan Xinlian filed an appeal against the judgment on 6 March 2000.

- (b) on 23 April 1999, the former shareholders of Wing Lam gave an undertaking in relation to the Group's acquisition of a 51% equity interest in Wing Lam to indemnify the Group from all losses, liabilities and claims incurred or suffered in connection with the Claim and other prescribed matters arising on or before the completion of this acquisition. The Claim is in respect of contracts entered into by Dongguan Xinlian prior to the Group's acquisition of the 51% equity interest in Wing Lam. On 12 April 2000, the former shareholders of Wing Lam confirmed they would indemnify all monetary losses arising from the Claim and agreed that the loan due from Dongguan Xinlian to them could be used to set off all such indemnity losses. According to letters dated 17 July 2000 and 21 March 2001 issued by the Group's legal advisers in connection with this litigation, they had strong evidence to believe that Dongguan Xinlian can succeed in the appeal and no claims or liabilities will be made against Dongguan Xinlian. Taking into account the above considerations, the Directors believe that this litigation will have no material impact on the financial results of the Group and no provision is considered necessary. There have not been any developments in these proceedings since 30 June 2001 (being the date to which the interim report of SEAWI is made up) up to the Latest Practicable Date.

11. SERVICE CONTRACTS

None of the existing Directors has any service contract or proposed service contract with SEAWI or any of its subsidiaries or associated companies which has more than 12 months to run, or which has been entered into or amended within 6 months prior to the date of the Whitewash Waiver Announcement.

Each of the executive Directors has a service agreement which is determinable on three months' notice. None of these service agreements was entered into or amended within 6 months prior to the date of the Whitewash Waiver Announcement.

12. MARKET PRICES

The table below shows the closing prices of the Shares on the Stock Exchange on the dates set out below:

Date	Closing Price per Share (HK\$)
31 May 2001	1.90
29 June 2001	1.74
31 July 2001	1.80
31 August 2001	1.27
28 September 2001	0.90
31 October 2001	0.96
23 November 2001, being the last trading day in the Shares immediately preceding the date of the Whitewash Waiver Announcement	1.09
Latest Practicable Date	1.32

The highest and lowest closing prices of the Shares on the Stock Exchange from and including 27 May 2001, being the date six months preceding the date of the Whitewash Waiver Announcement) up to the Latest Practicable Date were HK\$1.925 per Share on 28 May 2001, 4 and 5 June 2001 and HK\$0.90 per Share on 20, 21, 25 to 28 September 2001 and 3 October 2001.

Note: On 27 June 2001, SEAWI effected a consolidation of its share capital by consolidating every 5 shares of HK\$0.01 each into one Share. The closing price given in respect of 31 May 2001, is the closing price of one share of HK\$0.01 each in SEAWI multiplied by five.

13. QUALIFICATION OF EXPERTS

The following are the qualifications of the experts who have given, or agreed to the inclusion of, their opinion or advice in this circular:

Name	Qualification
Kim Eng	an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
Ernst & Young	Certified Public Accountants

14. CONSENTS

Kim Eng and Ernst & Young have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their respective letter and report and/or reference to their respective names, as the case may be, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of Kim Eng and Ernst & Young had any direct or indirect shareholding in any member of the Group, or any right to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

15. MISCELLANEOUS

- (a) The Secretary of SEAWI is Ms. Li So Mui. She holds a Masters Degree in Business Administration and is a fellow member of the Association of Chartered Certified Accountants, the Hong Kong Society of Accountants and the Association of International Accountants. Ms. Li has over 20 years experience in the accounting and banking field.
- (b) The share registrar of SEAWI is Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong.
- (c) The English text of this circular shall prevail over the Chinese text.

16. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (except Saturdays, Sundays and public holidays) at the office of Simmons & Simmons at 35th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong from the date of this circular up to and including 22 January 2002:

- (a) memorandum of association and bye-laws of SEAWI;
- (b) the Subscription Agreement;
- (c) the annual report of SEAWI for the 15 months ended 31 December 1999 and the year ended 31 December 2000;
- (d) the unaudited consolidated interim report of SEAWI for the six months ended 30 June 2001;
- (e) the letter from Kim Eng set out on pages 21 to 34 of this circular; and
- (f) the written consents referred to in paragraph 14 headed "Consents" in this Appendix.

NOTICE OF SPECIAL GENERAL MEETING



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of South East Asia Wood Industries Holdings Limited (the “**Company**”) will be held at Fuji Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 January 2002 at 10:30 a.m. for the purposes of considering and, if thought fit, passing the following resolutions:

ORDINARY RESOLUTIONS

Resolution No. 1

1. “**THAT:**

- (a) the creation and issue to Keentech Group Limited (“**Keentech**”) of HK\$1,000,000,000 redeemable floating rate convertible loan notes (the “**Convertible Loan Notes**”) convertible into shares of HK\$0.05 each (“**Shares**”) at a conversion price of, subject to adjustment, HK\$0.85 per Share in accordance with the terms and conditions contained in a conditional subscription agreement dated 24 November 2001 entered into between the Company (1), Keentech (2) and Maxpower Resources Limited (3) (the “**Subscription Agreement**”), a copy of which has been produced to the Meeting and marked “A” and initialled by the Chairman of the Meeting for the purposes of identification) and subject to the terms and conditions contained in the form of the instrument which will constitute the Convertible Loan Notes (the “**Instrument**”), a copy of which has been produced to the Meeting and marked “B” and initialled by the Chairman of the Meeting for the purposes of identification and further subject to the terms and conditions of an account charge (“**Account Charge**”) to be executed in favour of Keentech for itself and as trustee on behalf of other holders of the Convertible Loan Notes who are members of the CITIC group, being China International Trust and Investment Corporation and its subsidiaries, a copy of which has been produced to the Meeting and marked “C” and initialled by the Chairman of the Meeting for the purposes of identification;
- (b) upon the creation and issue of the Convertible Loan Notes and upon due exercise of the conversion rights attached to the Convertible Loan Notes from time to time, the allotment and issue of Shares pursuant to and in accordance with the terms and conditions of the Convertible Loan Notes;

NOTICE OF SPECIAL GENERAL MEETING

be and are hereby approved, confirmed and ratified AND THAT the directors of the Company acting together, individually or by committee (the “**Directors**”) be and are hereby authorised to do on behalf of the Company whatever, he, she or they may, in their absolute discretion, consider necessary, desirable or expedient for the purposes of, or in connection with, the performance and implementation by the Company of the Subscription Agreement, the Instrument and the Account Charge and the creation and issue of the Convertible Loan Notes and the allotment and issue of Shares thereunder generally and any other documents relating thereto or contemplated thereby (in each case amended if necessary) and to make or agree such alterations, amendments and additions thereto as the Directors may, in their absolute discretion, consider necessary, desirable or expedient.”

Resolution No. 2

2. “**THAT** the authorised share capital of the Company of HK\$200,000,000 divided into 4,000,000,000 shares of HK\$0.05 each (“**Shares**”) be and is hereby increased to HK\$300,000,000 divided into 6,000,000,000 Shares by the creation of an additional 2,000,000,000 Shares, which Shares shall on their issue rank pari passu in all respects with existing issued Shares.”

Resolution No. 3

3. “**THAT** subject to the passing of ordinary resolution 1 as set out in the notice convening this Meeting, and subject and pursuant to Note 1 of the “Notes on dispensations from Rule 26” of the Hong Kong Code on Takeovers and Mergers (the “**Code**”), it is hereby confirmed, consented to, agreed and approved that Keentech Group Limited (“**Keentech**”) and parties acting in concert with it shall not be obliged to make any general offer for shares of HK\$0.05 each (“**Shares**”) in issue in the capital of the Company held by the shareholders of the Company (other than those held by Keentech and parties acting in concert with it at the relevant time) which would otherwise have to be made under Rule 26 of the Code as a result of the conversion from to time of the Convertible Loan Notes (as defined in ordinary resolution 1 as set out in the notice convening this Meeting) and the resulting allotment and issue of new Shares to Keentech.”

Resolution No. 4

4. “**THAT** subject to the passing of ordinary resolutions 1 and 3 as set out in the notice convening this Meeting and subject and pursuant to Note 15 to Rule 26 of the Hong Kong Code on Takeovers and Mergers, it is hereby authorised, consented to, agreed and approved that each of Keentech Group Limited (“**Keentech**”) and parties acting in concert with it shall, at any time during the period of 12 months immediately

NOTICE OF SPECIAL GENERAL MEETING

following the issue of any shares of HK\$0.05 each (“Shares”) in the capital of the Company upon conversion of the Convertible Loan Notes (as defined in ordinary resolution 1 as set out in the notice convening this Meeting) from time to time, have the right (where following such issue of new Shares from time to time, Keentech and parties acting in concert with it hold 30 per cent. or more but less than 50 per cent. of the issued share capital of the Company) to acquire additional Shares provided the number of Shares so acquired (other than through an exercise of the Convertible Loan Notes) shall not, when aggregated with all other Shares acquired by Keentech and parties acting in concert with it pursuant to this authorisation, increase the percentage shareholding of Keentech and parties acting in concert with it in the issued share capital of the Company at the time of such acquisition by more than 2 per cent.”

By order of the Board
South East Asia Wood Industries Holdings Limited
Li So Mui
Company Secretary

Dated 5 January 2002

Notes:

1. A member of the Company entitled to attend and vote in the Special General Meeting is entitled to appoint one or more proxy to attend and vote in his stead in accordance with the Bye-laws of the Company. A proxy need not be a member of the Company.
2. A form of proxy for use at the Special General Meeting is enclosed.
3. To be valid, the form of proxy, together with the power of attorney or other authority if any, under which it is signed, or a notarially certified copy of the power of attorney or authority must be deposited at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong not less than 48 hours before the time of the holding of the Special General Meeting (or any adjourned meeting thereof) and in default the form of proxy shall not be treated as valid. Completion and return of the form of proxy will not preclude members of the Company from attending and voting in person at the meeting (or any adjourned meeting thereof) should they wish to do so.
4. If there are joint registered holders of a share, any one of such joint holders may vote at the meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders shall be present at the meeting personally or by proxy, that one of the joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.



SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

Proxy Form for use at the Special General Meeting to be held on Tuesday, 22 January 2002

I/We (note 1) of

.....
 being the registered holder(s) of (note 2) shares of HK\$0.05 each
 in the capital of SOUTH EAST ASIA WOOD INDUSTRIES HOLDINGS LIMITED (“the Company”) hereby

appoint (note 3)

of

or failing him, of

.....
 or failing him, the Chairman of the meeting to act as my/our proxy to attend and vote for me/us at the Special General Meeting of the Company to be held at Fuji Room, Pacific Place Conference Centre, Level 5, One Pacific Place, 88 Queensway, Hong Kong on Tuesday, 22 January 2002 at 10:30 a.m. (and at any adjournment thereof) as directed below or, if no such indication is given, as my/our proxy thinks fit.

	For <i>(note 4)</i>	Against <i>(note 4)</i>
1. To approve the issue of the Convertible Loan Notes pursuant to the Subscription Agreement and the issue of Shares pursuant to the Convertible Loan Notes.		
2. To approve an increase in the authorised share capital.		
3. To approve the granting of the Whitewash Waiver.		
4. To approve the granting of the Creeper Authorisation.		

Dated, 2002 Shareholder’s Signature (note 5)

Notes:

- Full name(s) and address(es) to be inserted in **BLOCK CAPITALS**.
- Please insert the number of shares of HK\$0.05 each of the Company registered in your name(s); if no number is inserted, this proxy form will be deemed to relate to all the shares in the capital of the Company registered in your name(s).
- Please insert the name and address of the proxy desired. **IF NO NAME IS INSERTED, THE CHAIRMAN OF THE MEETING WILL ACT AS YOUR PROXY.**
- IMPORTANT: IF YOU WISH TO VOTE FOR A RESOLUTION, PLEASE PLACE A “√” IN THE RELEVANT BOX MARKED “FOR” BESIDE THE APPROPRIATE RESOLUTION, IF YOU WISH TO VOTE AGAINST A RESOLUTION, PLEASE PLACE A “√” IN THE RELEVANT BOX MARKED “AGAINST” BESIDE THE APPROPRIATE RESOLUTION.** Failure to complete the boxes will entitle your proxy to cast his vote at his discretion. Your proxy will also be entitled to vote at his discretion on any resolution properly put to the meeting other than those referred to in the notice convening the meeting.
- This proxy form must be signed by you or your attorney duly authorized in writing or, in the case of a corporation, this proxy form must be under its common seal or under the hand of an officer or attorney duly authorised.
- If more than one of the joint holders be present at the meeting personally or by proxy, that one of the said persons whose name stands first on the register of members of the Company in respect of the relevant shares will alone be entitled to vote in respect of them.
- To be valid, this proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited at the head office and principal place of business of the Company at Room 2602, 26th Floor, Bank of America Tower, 12 Harcourt Road, Central, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.
- A proxy need not be a member of the Company, but must attend the meeting in person to represent you.
- Any alterations made in this form should be initialled by the person who signs it.