



On behalf of the Board of Directors (the "Directors"), it is my great pleasure to present to our shareholders the annual report of South East Asia Wood Industries Holdings Limited (the "Company") and its subsidiary companies (together the "Group") for the year ended 31 December 2000.

RESULTS

Turnover of the Group for the year ended 31 December 2000 was HK\$58.5 million (15 months ended 31 December 1999: HK\$303.7 million). Net profit attributable to shareholders was HK\$41.2 million (1999: loss of HK\$378.5 million).

As at 31 December 2000, total assets amounted to HK\$160.5 million (as at 31 December 1999: HK\$192.4 million). Net assets amounted to HK\$104.4 million (1999: net liabilities of HK\$72.5 million).

DIVIDEND

The Directors do not recommend the payment of any dividend in respect of the year.

BUSINESS REVIEW AND PROSPECTS

During the year, the Group was involved in the manufacture and sale of plywood and fancy plywood. The Group has been facing the keen competition in the industry and the performance was affected by the continuous sluggish market condition.

PRC is now the major market of the Group. To enable the Group to have full control over Dongguan Xinlian Timber Products Company Limited ("Xinlian"), its principal operating unit in PRC, the Company acquired the remaining 49% equity of the parent company of Xinlian in August 2000 (the "Acquisition"), resulting that Xinlian became a wholly-owned subsidiary of the Group. The Directors consider that the Acquisition will facilitate the Group to expand its operation and presence in PRC. Such will be beneficial to the development of the Group in the long run.

The Directors are still comfortable with the potential growth of the plywood industry in PRC. However, to overcome the keen competition, the Directors will continue to watch out closely the changing market and economic environment so that the strategy in sales and production will be adjusted to meet the market needs. The Directors will also continue to closely monitor the cost structure, credit control policies and operational efficiency in the hope to restore the profitability of the Group.

The Directors are confident that the performance of the Group will be improved in the coming year since the liquidity of the Group has been improved following the completion of debt restructuring in August 2000, coupled with the subsequent establishment of new management team. More emphasis will be put on the management control and business development, including asset disposals, asset acquisitions, business rationalisations and/or business diversification that can enhance the growth potential of the Group. In particular, the Directors are actively identifying investment opportunities.

CAPITAL REORGANIZATION

During the year, the share capital of the Company was reorganised as follows:

- (i) The nominal value of the share capital was reduced from HK\$0.10 per exiting share to HK\$0.01 per new share.
- (ii) The authorised share capital was increased from HK\$100,000,000 to HK\$200,000,000, i.e. 20,000,000,000 shares of HK\$0.01 each.
- (iii) The board lot for trading in the shares was changed from 2,000 to 20,000.

APPRECIATION

I understand that elite is the main factor for the Group to inspire and succeed. I would like to thank my fellow directors, management team and staff for all their vigorous efforts and devoted contribution to the Group. On behalf of the Directors, I express my heartfelt gratitude to the customers, vendors and bankers for their patronage support to and confidence in the Group.

PUBLICATION OF ANNUAL REPORT

The annual report of the Group for the year ended 31 December 2000 containing all information required by the paragraph 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

Peter Kwok Viem

Chairman

Hong Kong, 12 April 2001