South East Asia Wood Industries Holdings Limited

(Incorporated in Bermuda with limited liability)

INTERIM REPORT 2002

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Kwok Viem, Peter *(Chairman)*
Mr. Ma Ting Hung *(Vice Chairman)*
Ms. Li So Mui
Mr. Qiu Yiyong
Mr. Sun Xinguo
Mr. Tian Yuchuan
Mr. Zhang Jijing

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

COMPANY SECRETARY

Ms. Li So Mui

AUDITORS

Ernst & Young
Certified Public Accountants
15th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

Tel: (852) 2815 9792
Fax: (852) 2815 9723
Web: http://www.seawood.com.hk

SHARE REGISTRAR AND TRANSFER OFFICE

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road, Central
Hong Kong

Stock Code: 1205

PRINCIPAL BANKER

CITIC Ka Wah Bank Limited

FINANCIAL RESULTS

The Board of Directors (the "Directors") of South East Asia Wood Industries Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2002.

Condensed Consolidated Profit and Loss Account

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

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

Condensed Consolidated Balance Sheet

	Notes	**30 June 2002 (Unaudited) HK$'000**	31 December 2001 (Audited) HK$'000
NON-CURRENT ASSETS			
Fixed assets		**114,495**	114,703
CURRENT ASSETS			
Inventories		**9,610**	8,158
Prepayments, deposits and other receivables		**32,631**	14,082
Accounts receivable	5	**1,590**	2,356
Cash and bank balances		**1,104,477**	141,905
Pledged bank deposit	7	**–**	1,000,000
		1,148,308	1,166,501
CURRENT LIABILITIES			
Accrued liabilities and other payables		**21,852**	23,107
Accounts payable	6	**1,300**	6,787
Other loans	7	**–**	1,000,000
		23,152	1,029,894
NET CURRENT ASSETS		**1,125,156**	136,607
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,239,651**	251,310
NON-CURRENT LIABILITIES			
Long term other loans		**11,762**	11,699
		1,227,889	239,611
CAPITAL AND RESERVES			
Issued Capital	8	**164,824**	106,000
Reserves		**1,063,065**	133,611
		1,227,889	239,611

Condensed Consolidated Cash Flow Statement

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash outflow from operating activities	**(38,888)**	(16,874)
Net cash inflow from returns on investments and servicing of finance	**1,460**	3,871
Tax	**–**	–
Net cash inflow from investing activities	**1,000,000**	–
Net cash inflow/(outflow) before financing activities	**962,572**	(13,003)
Net cash inflow from financing activities	**–**	1,146,749
Increase in cash and cash equivalents	**962,572**	1,133,746
Cash and cash equivalents at beginning of period	**141,905**	20,509
Cash and cash equivalents at end of period	**1,104,477**	1,154,255

Notes to Condensed Consolidated Financial Statements

1. Principal accounting policies and basis of presentation

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

(a) SSAP 15 (Revised) "Cash Flow Statements" prescribes the provision of information about the historical changes in cash and cash equivalents. The condensed consolidated cash flow statement for the current interim period and the comparative figures are presented in accordance with the revised SSAP.

(b) SSAP 34 "Employee Benefits" prescribes the accounting and disclosure for employee benefits. This SSAP has had no major impact on these financial statements.

2. Segment information

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

(a) Business segments

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

	Manufacture and sale of plywood		Trade of timber products		Corporate and Others		Consolidated	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2002	2001	**2002**	2001	**2002**	2001	**2002**	2001
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	**14,894**	15,717	**1,722**	–	**8**	–	**16,624**	15,717
Other revenue and gains	**-**	–	**-**	–	**1,461**	–	**1,461**	–
Total revenue	**14,894**	15,717	**1,722**	–	**1,469**	–	**18,085**	15.717
Segment results	**(6,050)**	(5,713)	**160**	–	**(6,405)**	(4,458)	**(12,295)**	(10,171)
Interest and unallocated gains							**1,385**	8,353
Loss from operating activities							**(10,910)**	(1,818)
Other segment information:								
Segment assets	**112,722**	117,311	**-**	–	**1,150,081**	1,180,809	**1,262,803**	1,298,120
Capital expenditure	**1**	9	**-**	–	**519**	11	**520**	20

(b) Geographical segments

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

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

3. Tax

	Six months ended 30 June	
	2002	2001
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Overprovision in prior years	**–**	8,551

No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong for the period (six months ended 30 June 2001: Nil).

A Group company operating in the People's Republic of China (the "PRC") is exempt from income tax for two years starting from its first profitable year of operations and is entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC. No provision for tax has been made as this Group company did not generate any assessable profits arising in the PRC during the period.

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

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

4. Earnings/(Loss) per share

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

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

5. Accounts receivable

An aged analysis of the accounts receivable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	30 June 2002	31 December 2001
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within one month	**802**	1,606
One to two months	**331**	114
Two to three months	**158**	132
Over three months	**299**	504
	1,590	2,356

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

6. Accounts payable

An aged analysis of the accounts payable as at the balance sheet date, based on invoice date, is as follows:

	Group	
	30 June 2002	31 December 2001
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Within one month	**286**	4,947
One to two months	**661**	1,237
Two to three months	**324**	–
Over three months	**29**	603
	1,300	6,787

7. Other loans

On 21 May 2001, pursuant to a loan agreement (the "Loan Agreement") entered into between the Company, Maxpower Resources Limited ("Maxpower"), an indirect wholly-owned subsidiary of the Company, and Keentech Group Limited ("Keentech"), an indirect wholly-owned subsidiary of China International Trust and Investment Corporation, Keentech agreed to grant a loan of principal amount of HK$1 billion (the "Facility") to Maxpower. Keentech became a shareholder of the Company upon the placing of the shares of the Company on 20 April 2001. The Facility was secured by a charge over the Group's deposit of HK$1 billion.

On 27 November 2001, pursuant to a conditional subscription agreement (the "Subscription Agreement") entered into between the Company and Keentech, Keentech agreed to subscribe for, and the Company agreed to issue, redeemable floating rate convertible loan notes (the "Notes") of HK$1 billion. The Facility and the bank charge were subsequently discharged and settled upon the completion of the Subscription Agreement and the issue of the Notes on 25 January 2002. The subscription and issue of the Notes was secured by a new charge over the Group's deposit of HK$1 billion.

The Notes were fully converted into shares by 25 June 2002 and the bank charge was subsequently discharged.

8. Share capital

	Notes	**Number of Ordinary shares**	**HK$'000**
Authorised:			
Ordinary shares of HK$0.05 each as at 1 January 2002		4,000,000,000	200,000
Increase in share capital	(a)	2,000,000,000	100,000
Ordinary shares of HK$0.05 each as at 30 June 2002		6,000,000,000	300,000
Issued and fully paid:			
Ordinary shares of HK$0.05 each as at 1 January 2002		2,120,000,000	106,000
Issue of shares	(b)	1,176,470,588	58,824
Ordinary shares of HK$0.05 each as at 30 June 2002		3,296,470,588	164,824

(a) In January 2002, the authorised share capital of the Company was increased to HK$300 million divided into 6,000 million shares by the creation of 2,000 million additional shares of HK$0.05 each.

(b) Pursuant to the Subscription Agreement, the Notes of HK$1 billion carried the right to convert into ordinary shares of HK$0.05 each of the Company at a conversion price of HK$0.85 per share. The conversion took place in two tranches on 18 June 2002 and 25 June 2002. Consequently, 1,176,470,588 shares were issued to Keentech.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

FINANCIAL REVIEW

Group's financial results:

Operating results	**Six months ended 30 June**		
	2002	2001	**Increase/**
	(Unaudited)	(Unaudited)	**(decrease)**
	HK$ million	HK$ million	**%**
• Turnover	**16.6**	15.7	**5.7**
• Net profit/(loss) attributable to shareholders	**(10.9)**	6.7	
• Earnings/(loss) per share	**(HK 0.50 cent)**	HK 0.34 cent	

Financial position	**30 June 2002**	31 December 2001	**Increase/**
	(Unaudited)	(Audited)	**(decrease)**
	HK$ million	HK$ million	**%**
• Cash & bank balances	**1,104.5**	141.9	**678.4**
• Total assets	**1,262.8**	1,281.2	**(1.4)**
• Shareholders' equity	**1,227.9**	239.6	**412.5**

During the period, the Group still focuses on its manufacturing activities in PRC. The increase in turnover was caused by the implementation of new pricing strategies and adjustment to the product mix. However, the continuous cut in selling price caused the heavy loss. The market is expected to remain sluggish in the second half of the year.

Loss per share were HK0.50 cent, compared with a gain of HK0.34 cent for the prior period.

LIQUIDITY AND FINANCIAL RESOURCES

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

In June 2002, the Company has entered into agreements to acquire 35% interest in the share capital of Fletched Challenge Forests Limited. The total consideration is HK$1,744.4 million which will be paid in cash on settlement. The Company expects to raise the shortfall through bank loans and/or placement(s) of new shares. Negotiations are underway by the Directors with the banks and potential placees. However, no terms of any bank financing and/or placement(s) of new shares have been formalized at this stage and no agreements or commitments have been entered into.

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No Director had a beneficial interest, either direct or indirect, in any significant contract to which the Company, its holding company or any of its subsidiaries was a party during the period.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2002, the interests of the Directors in the shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), were as set out below:

Director	Type of interest	Number of ordinary shares of HK$0.05 each in the Company
Mr. Kwok Viem, Peter (Note)	Corporate	1,440,000,000
Mr. Ma Ting Hung (Note)	Corporate	1,440,000,000
Mr. Zhang Jijing	Family	28,000

Note: The shares disclosed above are held by United Star International Inc., a company incorporated in the British Virgin Islands, which is beneficially owned as to 50% by Mr. Kwok Viem, Peter and 50% by Mr. Ma Ting Hung.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from as disclosed under the heading "Share option scheme" below, at no time during the period was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouse, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 21 August 1997 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% the issued share capital of the Company from time to time, excluding any shares issued pursuant to the Scheme. The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. At 30 June 2002, no share options had been granted under the Scheme.

SUBSTANTIAL SHAREHOLDERS

At 30 June 2002, the following interests of 10% or more in the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Shareholder	Number of ordinary shares held	% of total issued shares
United Star International Inc. (Note 1)	1,440,000,000	43.68
Keentech Group Limited (Note 2)	1,360,180,588	41.26

(Note 1) These interests are also included as corporate interests of Mr. Kwok Viem, Peter and Mr. Ma Ting Hung, as disclosed under "Directors' interests in shares" above.

(Note 2) Keentech Group Limited, a company incorporated in the British Virgin Islands, is an indirect wholly-owned subsidiary of China International Trust and Investment Corporation.

Save as disclosed above, no person, other than the Directors of the Company whose interests are set out above, had registered an interest in the share capital of the Company that was required to be recorded under Section 16(1) of the SDI Ordinance.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

CODE OF BEST PRACTICE

In the opinion of the Directors, the Company complied with the Code of Best Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the accounting period covered by the interim report, except that the non-executive directors of the Company are not appointed for specific terms as required by paragraph 7 of the Code, but are subject to retirement by rotation in accordance with the Company's bye-laws.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code, for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the two independent non-executive directors of the Company.

PUBLICATION OF INTERIM REPORT

The 2002 Interim Report containing all information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

On behalf of the Board
Peter Kwok Viem
Chairman

Hong Kong, 8 August 2002

SUBSEQUENT EVENT

Reference is made to the announcement (the "Announcement") dated 14 August 2002 by the Company. Terms and expressions defined in the Announcement shall, unless the context otherwise requires, have the same meaning when used hereinafter.

The shareholders of Fletcher have not approved the acquisition of the assets of CNIFP and the issue of the Subscription Shares to the Company at the special meeting of Fletcher held on 13 August 2002. Consequently, the Company shall not be proceeding with the Acquisition pursuant to the Share Subscription Agreement and the Share Purchase Agreement. And, therefore, certain description under the heading "Liquidity and financial resources" on page 11 of this Interim Report is no longer relevant. The Directors are comfortable that there is sufficient cash to satisfy the working capital needs and other financing requirements.