



SEAPOWER RESOURCES INTERNATIONAL LIMITED

海暉國際實業有限公司

(Provisional Liquidators Appointed)
(Incorporated in the Cayman Islands with limited liability)

Announcement for the Interim Results for the 6 months ended 30 September 2002

RESULTS

The joint and several provisional liquidators (“Provisional Liquidators”) of Seapower Resources International Limited (“Company”) announce the unaudited consolidated results of the Company and its subsidiaries (“Group”) for the six months ended 30 September 2002. The unaudited interim financial report for the six months ended 30 September 2002 has been reviewed by the Company’s Independent Accountants.

CONDENSED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 September	
		2002	2001
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Turnover		7,628	93,250
Direct operating expenses		(6,018)	(64,350)
Other revenue		208	783
Other income		2,393	3,388
Selling and administrative expenses		(11,340)	(34,056)
Impairment losses recognised in respect of investment properties		—	(17,293)
Impairment losses recognised in respect of property, plant and equipment		—	(10,407)
Loss on disposal of investment properties		—	(28,838)
Gain on disposal of leasehold properties		9,104	—
Gain on disposal of subsidiaries		656	—
Other operating expenses	5	(3,875)	(5,761)
Loss from operations	6	(1,244)	(63,284)
Finance costs		(25,324)	(47,987)
Loss before taxation		(26,568)	(111,271)
Taxation — credit	7	2,542	—
Loss after taxation		(24,026)	(111,271)
Minority interests		—	246
Net loss attributable to shareholders		(24,026)	(111,025)
Loss per share — basic	9	(1.55 cents)	(7.18 cents)

Notes:

1. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, properties held for development, cold storage warehouses, other land and buildings and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2002.

The Group has adopted the following SSAPs which are effective for periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of these standards has resulted in a change in the format of presentation of the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity, but has not had any significant impact on the results for the current or prior accounting periods. Accordingly, no prior period adjustment is required.

2. BASIS OF PREPARATION

(a) Background and principal activities

In view of the severe financial difficulties of the Group, the Provisional Liquidators were appointed to the Company by the High Court of the Hong Kong SAR ("Court") on 31 December 2001 to implement the restructuring for the Company. The Provisional Liquidators were also appointed to the Company's four major wholly-owned subsidiaries, namely South East Asia Overseas Finance Limited ("SEAOF"), Yiu Fung Cold Storage & Warehousing Limited ("YFCSW"), Yiu Fai Warehousing Limited ("YFWL") and Seapower Resources Cold Storage & Warehousing Limited ("SRCSW") on 31 December 2001. Subsequently the Court ordered that SEAOF be wound-up on 20 February 2002, and YFCSW, YFWL and SRCSW be wound up on 27 March 2002. The Provisional Liquidators of the Company disposed of the Group's logistics assets in Hong Kong prior to 31 March 2002.

Last year, in order to reduce the liabilities of the Group, the Group had disposed of most of its properties including all those leasehold properties previously used for the Group's cold storage operations in Hong Kong, and all investment properties except for the 24 townhouses located in Beijing for which the Group would be unlikely to obtain the legal title based on a legal opinion obtained. The Group had also closed its cold storage warehousing and logistics operation in Hong Kong during the year ended 31 March 2002.

The Group disposed of its property located at Lidcombe, Sydney in May 2002 and immediately leased back the property for one year in order to continue its cold storage warehousing and logistics operations. Accordingly, the Group has fully recognised the gain on disposal of this property of approximately HK\$9.1 million in the condensed consolidated income statement for the six months ended 30 September 2002.

At the date of this report, the Group consolidated its cold storage warehousing and logistics operation located at Lidcombe with West Gosford, New South Wales of Australia.

A creditor bank has been granted an enforcement order by the court of Shenzhen, PRC enabling it to take possession of one of the Group's properties in Shenzhen, PRC.

(b) Going concern basis

In preparing the unaudited interim financial report, the Provisional Liquidators of the Company have given careful consideration to the future liquidity of the Group in light of the Group's current financial difficulties including its net liabilities of approximately HK\$1,281 million as at 30 September 2002 and the background set out in (a) above.

A conditional restructuring agreement in relation to the restructuring proposal for the Company was entered into with an independent third party investor, Many Returns Limited ("MRL"), ("Restructuring Proposal") on 14 May 2003 ("Restructuring Agreement"). On 11 August 2003, the Restructuring Agreement was amended by a supplemental agreement, and on the same date, the Provisional Liquidators on behalf of the Company entered into with MRL a subscription agreement in relation to the subscription of new shares by MRL upon completion of the Restructuring Proposal. The Restructuring Proposal includes, inter alia, a capital restructuring, debt restructuring involving Schemes of Arrangement ("Schemes") and a subscription of new shares and warrants.

Completion of the Restructuring Agreement will require the fulfillment of the certain conditions including the relevant approvals from the regulatory authorities, such as The Stock Exchange of Hong Kong Limited ("Stock Exchange") and the Securities and Futures Commission.

MRL has agreed to provide and procure working capital for the Company such that the Group will have sufficient working capital for its operations for 12 months after the completion of the Restructuring Agreement. MRL has also agreed to undertake to the Company that the Company will not dispose of any of the Group assets after completion if such disposal will result in the Company breaching paragraph 38 of its listing agreement with the Stock Exchange.

In light of the above, the Provisional Liquidators of the Company have prepared the unaudited interim financial report on a going concern basis on the basis that the Restructuring Agreement will be implemented in full on completion and the Group will have sufficient working capital to carry on its business.

3. THE INDEPENDENT ACCOUNTANTS' REVIEW REPORT

The Independent Accountants have reviewed the unaudited interim financial statements for the six months ended 30 September 2002 which does not constitute an audit. The Independent Accountants were not able to reach a review conclusion as to whether material modifications that should be made to the interim financial report for the six months ended 30 September 2002 because of the following matters:

a) Fundamental uncertainties relating to the going concern basis

The Independent Accountants have considered the adequacy of the disclosures made on the condensed consolidated financial statements concerning the basis of their preparation by the Provisional Liquidators of the Company. The Group's condensed consolidated financial statements have been prepared on a going concern basis, the validity of which is dependent on the successful completion in full of the terms and conditions of the conditional Restructuring Agreement and, in particular:

- (i) that issuance of certain new shares of the Company to the investor at the consideration of HK\$46 million ("Subscription Proceeds"), pursuant to the subscription agreement as a part of the Restructuring Agreement, will be completed;
- (ii) that indebtedness of the Company's creditors (other than the preferential creditors) to be discharged in full, pursuant to the schemes under debt restructuring as part of the Restructuring Agreement, at the consideration of making distribution to the scheme creditors on the pro-rata basis which comprises a cash payment of HK\$38 million from the above-mentioned Subscription Proceeds plus any cash held by the Company on the completion date, and issuance of 96,000,000 new shares of the Company; and

- (iii) that working capital facilities to be provided and procured by the investor to the Company, at terms to be agreed from time to time, such that the Group will have sufficient working capital for its operations for a period of 12 months after the completion of the Restructuring Agreement.

The Provisional Liquidators consider that the Restructuring Agreement can be completed in accordance with its terms, but at this stage, there is insufficient evidence to confirm whether the terms and conditions of the conditional Restructuring Agreement can be completed in full. The condensed consolidated financial statements do not include any adjustments that would result from the failure of the said conditional Restructuring Agreement.

b) *The evidence of certain items available to the Independent Accountants was limited as follows:*

1. The former auditors issued an “Except For” qualified opinion on the financial statements of the Group and the Company for the year ended 31 March 2001 for the significance of possible effects of certain limitations on the scope of their audit as further detailed in their auditors’ report dated 26 July 2001. In summary those scope limitations included:
 - a) Neither sale and purchase agreement nor other necessary documentary evidence was available to confirm the validity of disposal of a former subsidiary which resulted in a recorded loss on the disposal of approximately HK\$3 million;
 - b) Insufficient information to confirm the full provision of approximately HK\$27 million made against the outstanding receivable arising from the said disposal of that former subsidiary as referred to (a) above; and
 - c) Insufficient information to confirm the carrying value of certain properties held for development in Indonesia of approximately HK\$54 million.

Any adjustments found to be necessary to the opening net assets of the Group and the Company would have a consequential effect on the accumulated losses and, for (c) as referred to above, the translation reserve, brought forward from the prior year, and on the net liabilities of the Group and the Company as at 30 September 2002.

2. Ownership and carrying value for certain properties held for development in Indonesia

The Company’s wholly-owned subsidiary, Seapower Developments (Indonesia) Limited (“SDI”), made investments in 111 lots of land in Indonesia which are held directly by 19 Indonesian trustees (“Trustees”) as the registered title-owners on trust of the Group based on certain agreements made. A legal opinion had been obtained by the Provisional Liquidators of the Company, which indicates that although SDI may have the rights, based on the certain agreements made with the Trustees, it currently does not have the legal title of the land.

The Independent Accountants have been unable to obtain confirmation directly from these Trustees whether these properties are still held on trust of the Group and to satisfy themselves as to whether SDI can exercise its rights to obtain the legal title of the land.

3. Prior year’s loss and provision for outstanding receivable arising from the sale of a former subsidiary

As more detailed in the former auditors’ report dated 26 July 2001 for the financial statements for the year ended 31 March 2001, there was neither sale and purchase agreement nor other information for confirming the sale of a former subsidiary and consequently, the loss of approximately HK\$3 million on the disposal, and there were no sufficient evidence and explanations for assessing the appropriateness of making full provisions for the outstanding receivable of approximately HK\$27 million arising from the sale of the former subsidiary previously made in the prior years.

The same scope limitations as noted by the former auditors in respect of their audit for the year ended 31 March 2001 as referred to in the preceding paragraph have continued to exist and consequently, the Independent Accountants have been unable to confirm the prior year's disposal loss of approximately HK\$3 million and whether the full provision for the outstanding receivable arising from the disposal of the former subsidiary of approximately HK\$27 million previously made for the year ended 31 March 2001 was appropriate and still required at the balance sheet date. Any adjustments to these amounts would have a consequential effect on the net liabilities position of the Group and the Company as at 30 September 2002 and the accumulated losses of the Group and the Company brought forward from the prior years.

4. Certain margin and other loans receivable of approximately HK\$240 million

There are certain margin and other loans receivable of approximately HK\$171 million and HK\$69 million recorded respectively in the accounts of the Company and Seapower Finance Limited, its wholly-owned subsidiary, for which full provisions had been made in the previous years. The Independent Accountants have been unable to confirm the completeness and accuracy of these margin and other loans receivable for which the Independent Accountants have also been unable to obtain sufficient documentary evidence and explanations necessary for assessing their recoverability. Therefore, the Independent Accountants have been unable to confirm the carrying value of the margin and other loans receivable and whether the provisions previously made were appropriate and still required at the balance sheet date. Any adjustments to these amounts of provisions previously made would have a consequential effect on the net liabilities position of the Group and the Company as at 30 September 2002 and the accumulated losses of the Group and the Company brought forward from the prior years.

5. Interests in an associate

The Group made investment of approximately HK\$53 million in one associate, namely P.T. Inatai Golden Furniture Industries in which the Group has equity interests of 32%, against which full provision had been made in the prior years. The Group has no significant influence on the operational and financial decisions of this associate and as such, equity method had been discontinued for accounting the Group's share of results and the interests in this associate in the previous years. There were neither audited financial statements nor financial information available concerning the financial position of this associate. The Independent Accountants have been unable to confirm the existence, ownership and carrying value of the interest in this associate and whether the provisions previously made by the Group were appropriate and still required at the balance sheet date. Any adjustment to this amount of the provision would have a consequential effect on the Group's net liabilities as at 30 September 2002 and the accumulated losses of the Group brought forward from the prior years.

6. Deposits paid for two other investments

The Company made aggregate payments of approximately HK\$34.5 million for the investments in two companies, namely Fujian Tel Network and 廣州粵鋼物資供應有限公司, against which full provisions had been made in the prior years. The Independent Accountants have been unable to obtain the documentary evidence for ascertaining the commercial substance of these two payments and sufficient information and representation necessary for assessing the recoverability of these deposits. Therefore, the Independent Accountants have been unable to satisfy themselves as to whether the full provisions for these deposits previously made were appropriate and still required at the balance sheet date. Any adjustments to these provisions would have a consequential effect on the net liabilities of the Group and the Company as at 30 September 2002 and the accumulated losses of the Group and the Company brought forward from the last year.

Any adjustments to the above amounts as at 30 September 2002 would affect the net liabilities of the Group as at 30 September 2002 and the results of the Group for the six months ended 30 September 2002.

4. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Business Segments

For the six months ended 30 September 2002

	Cold storage warehousing and logistics management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External revenue	7,628	—	7,628
Other revenue	<u>204</u>	<u>4</u>	<u>208</u>
Total revenue	<u><u>7,832</u></u>	<u><u>4</u></u>	<u><u>7,836</u></u>
SEGMENT RESULTS	<u><u>4,353</u></u>	<u><u>(48)</u></u>	4,305
Unallocated costs			(5,549)
Finance costs			(25,324)
Taxation — credit			2,542
Minority interests			<u>—</u>
Loss attributable to shareholders			<u><u>(24,026)</u></u>

For the six months ended 30 September 2001

	Cold storage warehousing and logistics management <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE			
External revenue	88,430	4,820	93,250
Other revenue	<u>755</u>	<u>28</u>	<u>783</u>
Total revenue	<u><u>89,185</u></u>	<u><u>4,848</u></u>	<u><u>94,033</u></u>
SEGMENT RESULTS	<u><u>18,781</u></u>	<u><u>(53,219)</u></u>	(34,438)
Unallocated costs			(28,846)
Finance costs			(47,987)
Taxation			—
Minority interests			<u>246</u>
Loss attributable to shareholders			<u><u>(111,025)</u></u>

Geographical Segments

For the six months ended 30 September 2002

	Hong Kong and PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Indonesia <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External revenue	—	7,628	—	7,628
Other revenue	<u>201</u>	<u>7</u>	<u>—</u>	<u>208</u>
Total revenue	<u>201</u>	<u>7,635</u>	<u>—</u>	<u>7,836</u>
SEGMENT RESULTS	<u>(9,623)</u>	<u>8,379</u>	<u>—</u>	<u>(1,244)</u>

For the six months ended 30 September 2001

	Hong Kong and PRC <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Indonesia <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
REVENUE				
External revenue	87,613	5,637	—	93,250
Other revenue	<u>772</u>	<u>11</u>	<u>—</u>	<u>783</u>
Total revenue	<u>88,385</u>	<u>5,648</u>	<u>—</u>	<u>94,033</u>
SEGMENT RESULTS	<u>(62,782)</u>	<u>(502)</u>	<u>—</u>	<u>(63,284)</u>

5. OTHER OPERATING EXPENSES

Other operating expenses comprise:

	For the six months ended 30 September	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of club membership	1,340	—
Loss on disposal of listed investment	443	—
Unrealised losses on other investments	—	3,859
Provision for bad and doubtful debts	2,076	—
Others	<u>16</u>	<u>1,902</u>
	<u>3,875</u>	<u>5,761</u>

6. LOSS FROM OPERATIONS

Loss from operations is stated after crediting and charging:

	For the six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Crediting:		
Net realised gain on other investments	—	779
Gain on disposal of leasehold properties	9,104	—
Gain on disposal of subsidiaries	656	—
Charging:		
Loss on disposal of club membership	1,340	—
Provision for bad and doubtful debts	2,076	—
Loss on disposal of listed investment	443	—
Depreciation and amortisation	1,010	18,532
Loss on disposal of investment properties	—	28,838
Impairment losses recognised in respect of investment properties	—	17,293
Impairment losses recognised in respect of property, plant and equipment	—	10,407
Unrealised losses on other investments	—	3,859
	<u> </u>	<u> </u>

7. TAXATION — CREDIT

	For the six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Deferred taxation	46	—
Prior year taxation	2,496	—
	<u> </u>	<u> </u>
	<u>2,542</u>	<u> </u>

No provision for Hong Kong Profits Tax has been made as the Company and its subsidiaries did not have any assessable profits for both periods.

No provision for deferred taxation has been made as the Company and its subsidiaries did not have any significant timing differences for both periods.

8. DIVIDEND

No dividend was declared and paid during either period.

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$24,026,000 (for the six months ended 30 September 2001: HK\$111,025,000) and on 1,547,042,829 shares in issue for both periods.

No amount has been presented for the diluted loss per share for the six months ended 30 September 2002 and 2001 as the exercise of the outstanding share options of the Company during the six months ended 30 September 2002 and 2001 would result in reducing loss per share.

10. COMPARATIVE FIGURES

Certain items in the unaudited interim financial statements were reclassified which would result in a more appropriate presentation of events or transactions. Accordingly, comparative figures have been reclassified to conform with the current period's presentation.

DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2002

BUSINESS REVIEW

The Group was originally engaged in cold storage warehousing, logistics management services, property holding and financial services. Following the appointment of the Provisional Liquidators on 31 December 2001, the Group's non-core business operations were discontinued and only the core businesses of cold storage warehousing and logistics management services have been maintained, albeit on a lesser scale than in previous years, as the Group is suffering from a lack of working capital. During the year ended 31 March 2002, the Group disposed of most of its properties including those properties previously used for the Group's cold storage operations in Hong Kong, and all investment properties (except for 24 townhouses located in Beijing, the PRC) in order to reduce the liabilities of the Group. All of the cold storage warehousing and logistics operations in Hong Kong were closed before the balance sheet date of 31 March 2002.

For the six months ended 30 September 2002, the Group recorded a consolidated turnover of approximately HK\$7.6 million which was primarily attributable to the cold storage warehousing and logistics management businesses.

The net loss for the period was approximately HK\$24 million. The loss from operations was approximately HK\$1 million for the period, compared with approximately HK\$63 million for the six months ended 30 September 2001.

CAPITALIZATION AND FINANCIAL POSITION

The Group's net liabilities approximated HK\$1,281 million as at 30 September 2002 (31 March 2002: HK\$1,252 million). Cash and bank balances and total bank and other borrowings approximated to HK\$5 million (31 March 2002: HK\$10 million) and HK\$533 million (31 March 2002: HK\$535 million), respectively, as at the balance sheet date. The Group's borrowings from creditor banks were not repaid according to the schedules set by the creditor banks and, became due for immediate repayment. As a result, the entire amounts outstanding to the creditor banks were reclassified as current liabilities.

Bank and other borrowings were predominately in Hong Kong dollars with approximately 6% of these bank and other borrowing denominated in US and Australian dollars. As a result, foreign exchange risk is minimal. Bank and other borrowings were subject to floating interest rates. The Group did not use financial instruments for hedging purposes and did not have foreign currency net investments being hedged by currency borrowings and other hedging instruments.

EMPLOYEES

The Group had approximately 30 employees in Hong Kong, PRC and Australia as at 30 September 2002.

The Company has adopted a share option scheme since 30 September 1999. Due to the financial difficulties of the Group, the employment contracts of the Company's staff were terminated and certain staff re-employed by the Provisional Liquidators. As a result, the outstanding options previously granted to the staff were not exercised and lapsed.

CHARGE OF ASSETS

The following assets of the Group have been pledged to secure credit facilities granted to and utilised by the Group:

	30 September 2002 HK\$'000	31 March 2002 HK\$'000
Other property, plant and equipment	12,725	29,247
Other investments	52	52
Restricted bank deposits	1,693	1,715
	<u>14,470</u>	<u>31,014</u>

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at the balance sheet date.

SUSPENSION OF TRADING

Trading in the securities of the Company has been suspended since 2:30 p.m. on 28 December 2001 and will remain suspended until further notice. No transfer of shares would be effected and registered after 2:30 p.m. on 28 December 2001.

RESTRUCTURING OF THE GROUP

On 14 May 2003, the Provisional Liquidators, for and on behalf of the Company, entered into the Restructuring Agreement with MRL in relation to the Restructuring Proposal, which involves, amongst other things, the capital restructuring, debt restructuring involving the schemes under section 86 of the Cayman Companies Law and section 166 of the Companies Ordinance ("Schemes"), the subscription of new shares and warrants by MRL, whitewash waiver, general mandate to issue new shares and repurchase shares. The Restructuring Agreement was amended by a supplemental agreement which was entered into by, amongst others, the Provisional Liquidators, the Company and MRL on 11 August 2003. On the same date, the Provisional Liquidators, the Company and MRL also entered into a subscription agreement in relation to the subscription of the new shares by MRL upon completion of the Restructuring Proposal ("Completion").

The Restructuring Proposal, if successfully implemented, will, amongst other things, result in:

- (a) a restructuring of the share capital of the Company whereby the par value of the issued shares will be reduced from HK\$0.05 to HK\$0.01 each through par reduction, share consolidation and share subdivision as contained in the capital restructuring;
- (b) all the creditors of the Company discharging and waiving their claims against the Company pursuant to the Schemes;

- (c) MRL holding a controlling interest in the issued share capital of the Company; and
- (d) the resumption of trading in the new shares of the Company upon Completion subject to sufficient public float being restored.

Details of the Restructuring Proposal are set out in the Company's circular dated 21 October 2003 issued to the shareholders of the Company.

PROSPECTS

Upon implementation and completion of the Restructuring Agreement, it is anticipated that the financial position of the Company will be improved as all liabilities of the Company will be compromised and discharged through the Schemes. The Group will also then have the necessary financial resources and working capital for on-going operations.

The Provisional Liquidators consider that the Restructuring Agreement can be completed in accordance with its terms.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of listed securities of the Company by the Company or any of its subsidiaries during the period. Trading in the shares of the Company has been suspended since 2:30 p.m. on 28 December 2001.

CORPORATE GOVERNANCE

In the opinion of the Provisional Liquidators, the Company complies with the Code of Best Practice as set out in the Listing Rules throughout the period, except that (1) no audit committee meeting has been held as the employment contracts of two independent directors expired on 14 August 2002 and 31 March 2003, respectively, and no new Independent directors were appointed during the period, and (2) no full board meeting has been held since the appointment of the Provisional Liquidators, as the authority of all executive directors and non-executive director has been suspended.

PUBLICATION OF INTERIM RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information of the interim results of the Group for the six months ended 30 September 2002 required by paragraphs 46(1) to 46(6) inclusive of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited will be published on the Stock Exchange's website (www.hkex.com.hk) in due course.

For and on behalf of
**Seapower Resources International
Limited**
(Provisional Liquidators Appointed)
Cosimo Borrelli
Fan Wai Kuen
*Joint & Several Provisional
Liquidators*
without personal liability

30 October 2003

Please also refer to the published version of this announcement in The Standard.