



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)

Interim Report 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 and the unaudited condensed consolidated balance sheet of the Group as at 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

| | <i>Notes</i> | 2002 HK\$’000 (Unaudited) | 2001 <i>HK\$’000</i> (Unaudited) |
|---|--------------|--|--|
| Turnover | | 7,628 | 93,250 |
| Direct operating expenses | | (6,018) | (64,350) |
| Other revenue | | 208 | 783 |
| Other income | 6 | 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 | 7 | (3,875) | (5,761) |
| Loss from operations | | (1,244) | (63,284) |
| Finance costs | | (25,324) | (47,987) |
| Loss before taxation | | (26,568) | (111,271) |
| Taxation — credit | 8 | 2,542 | — |
| Loss after taxation | | (24,026) | (111,271) |
| Minority interests | | — | 246 |
| Net loss attributable to shareholders | | <u>(24,026)</u> | <u>(111,025)</u> |
| Loss per share — basic | 10 | <u>(1.55 cents)</u> | <u>(7.18 cents)</u> |

CONDENSED CONSOLIDATED BALANCE SHEET

| | <i>Notes</i> | 30 September 2002 HK\$'000 (Unaudited) | 31 March 2002 HK\$'000 (Audited) |
|--|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 11 | 19,140 | 32,858 |
| Other investments | | — | 6,510 |
| | | <u>19,140</u> | <u>39,368</u> |
| CURRENT ASSETS | | | |
| Trade and other receivables | 12 | 34,058 | 34,498 |
| Other investments | | 52 | 52 |
| Taxation recoverable | | 965 | 4 |
| Restricted bank deposits | | 1,693 | 1,715 |
| Cash and bank balances | | 3,481 | 7,896 |
| | | <u>40,249</u> | <u>44,165</u> |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 13 | 128,382 | 117,624 |
| Amount due to a jointly controlled entity | | 1,007 | 1,007 |
| Taxation payable | | 24,714 | 26,053 |
| Obligations under finance leases — due within one year | | — | 312 |
| Bank and other borrowings | | 532,952 | 534,242 |
| Amounts due to subsidiaries under liquidation | | 652,556 | 655,824 |
| | | <u>1,339,611</u> | <u>1,335,062</u> |
| NET CURRENT LIABILITIES | | <u>(1,299,362)</u> | <u>(1,290,897)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>(1,280,222)</u> | <u>(1,251,529)</u> |
| NON-CURRENT LIABILITIES | | | |
| Obligations under finance leases — due after one year | | — | (217) |
| MINORITY INTERESTS | | <u>(509)</u> | <u>(509)</u> |
| | | <u>(1,280,731)</u> | <u>(1,252,255)</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | 14 | 77,352 | 77,352 |
| Reserves | | (1,358,083) | (1,329,607) |
| | | <u>(1,280,731)</u> | <u>(1,252,255)</u> |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2002

| | Issued capital <i>HK\$'000</i> | Share premium <i>HK\$'000</i> | Capital redemption reserve <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Asset revaluation reserve <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Accumulated losses <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|---|--------------------------------------|-------------------------------------|---|---------------------------------------|--|---|--|---------------------------|
| At 1 April 2001 | 77,352 | 432,722 | 3,800 | 49,988 | 439,770 | (8,363) | (777,920) | 217,349 |
| Exchange differences arising from translation of overseas operations | — | — | — | — | — | (360) | — | (360) |
| Reversal of exchange deficit to income statement | — | — | — | — | — | 6,900 | — | 6,900 |
| Revaluation surplus | — | — | — | — | 177 | — | — | 177 |
| Realised on disposal of properties | — | — | — | — | (428,277) | — | 467,322 | 39,045 |
| Realised on liquidation of subsidiaries | — | — | — | (2,669) | — | — | — | (2,669) |
| Negative goodwill arising from increasing interest in a subsidiary | — | — | — | 3,548 | — | — | — | 3,548 |
| Net loss for the year | — | — | — | — | — | — | (1,516,245) | (1,516,245) |
| At 31 March 2002 and 1 April 2002 | 77,352 | 432,722 | 3,800 | 50,867 | 11,670 | (1,823) | (1,826,843) | (1,252,255) |
| Revaluation surplus | — | — | — | — | 2,544 | — | — | 2,544 |
| Realised on disposal of properties | — | — | — | — | (7,031) | 52 | — | (6,979) |
| Exchange differences arising from translation of overseas operations | — | — | — | — | — | (15) | — | (15) |
| Net loss for the period | — | — | — | — | — | — | (24,026) | (24,026) |
| At 30 September 2002 | <u>77,352</u> | <u>432,722</u> | <u>3,800</u> | <u>50,867</u> | <u>7,183</u> | <u>(1,786)</u> | <u>(1,850,869)</u> | <u>(1,280,731)</u> |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September

| | 2002 | 2001 |
|---|--------------------|-------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | (13,884) | (9,232) |
| NET CASH INFLOW FROM INVESTING ACTIVITIES | 24,096 | 69,819 |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | (14,640) | (139,029) |
| DECREASE IN CASH AND CASH EQUIVALENTS | (4,428) | (78,442) |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 13 | 9 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD | 7,896 | (138,995) |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 3,481 | (217,428) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

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 (“SEAOFF”), 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 SEAOFF 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.

As set out in note 16(b), 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 certain conditions including the relevant approvals from the regulatory authorities, such as 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 as detailed in note 16(a) to the condensed consolidated financial statements 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 determine 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 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 detailed in the former auditors’ report dated 26 July 2001 for the financial statements for the year ended 31 March 2001, no sale and purchase agreement or other information confirming the sale of a former subsidiary is available and consequently, the loss of approximately HK\$3 million on the disposal, and there was insufficient evidence and explanations available to assess the appropriateness of making full provisions for the outstanding receivable of approximately HK\$27 million arising from the sale of the former subsidiary 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 continue 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 totalling approximately HK\$240 million

There are certain margin and other loans receivable totalling 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 an investment of approximately HK\$53 million in an associate, named 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 HK\$'000 | Property investment HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|---|---|----------------------------------|
| 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> | <u><u>4,305</u></u> |
| 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 HK\$'000 | Property investment HK\$'000 | Consolidated HK\$'000 |
|-----------------------------------|---|---|----------------------------------|
| 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> | <u><u>(34,438)</u></u> |
| 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 HK\$'000 | Australia HK\$'000 | Indonesia HK\$'000 | Consolidated HK\$'000 |
|------------------|----------------------------------|-----------------------|-----------------------|--------------------------|
| REVENUE | | | | |
| External revenue | — | 7,628 | — | 7,628 |
| Other revenue | <u>201</u> | <u>7</u> | <u>—</u> | <u>208</u> |
| Total revenue | <u><u>201</u></u> | <u><u>7,635</u></u> | <u><u>—</u></u> | <u><u>7,836</u></u> |
| SEGMENT RESULTS | <u><u>(9,623)</u></u> | <u><u>8,379</u></u> | <u><u>—</u></u> | <u><u>(1,244)</u></u> |

For the six months ended 30 September 2001

| | Hong Kong and PRC HK\$'000 | Australia HK\$'000 | Indonesia HK\$'000 | Consolidated HK\$'000 |
|------------------|----------------------------------|-----------------------|-----------------------|--------------------------|
| 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><u>88,385</u></u> | <u><u>5,648</u></u> | <u><u>—</u></u> | <u><u>94,033</u></u> |
| SEGMENT RESULTS | <u><u>(62,782)</u></u> | <u><u>(502)</u></u> | <u><u>—</u></u> | <u><u>(63,284)</u></u> |

5. Depreciation and Amortisation

During the period, depreciation and amortisation of approximately HK\$1,010,000 (for the six months ended 30 September 2001: HK\$18,532,000) was charged in respect of the Group's property, plant and equipment.

6. Other Income

Other income comprise:

| | For the six months ended 30 September | |
|---|--|---------------------|
| | 2002 HK\$'000 | 2001 HK\$'000 |
| Net realised gains on other investments | — | 779 |
| Others | <u>2,393</u> | <u>2,609</u> |
| | <u><u>2,393</u></u> | <u><u>3,388</u></u> |

7. Other Operating Expenses

Other operating expenses comprise:

| | For the six months ended 30 September | |
|--|--|-----------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| 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 | 16 | 1,902 |
| | <u>3,875</u> | <u>5,761</u> |

8. Taxation — Credit

| | For the six months ended 30 September | |
|--|--|-----------------|
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Deferred taxation | 46 | — |
| Overprovision for Hong Kong Profits Tax in prior years | 2,496 | — |
| | <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.

9. Dividend

No dividend was declared and paid during either period.

10. 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.

11. Property, Plant and Equipment

Among other movements, during the six months ended 30 September 2002, the Group disposed of properties with a carrying amount of approximately HK\$8.7 million for a total consideration (net of expenses) of approximately HK\$17.8 million, resulting in a gain of approximately HK\$9.1 million.

During the period, no impairment losses were recognised in respect of investment properties and property, plant and equipment (for the six months ended 30 September 2001: HK\$17.3 million and HK\$10.4 million of impairment losses recognised respectively).

12. Trade and Other Receivables

The Group allows average credit period of 60 days to its trade customers.

Details of the ageing analysis of trade receivables are as follows:

| | 30 September 2002 HK\$'000 | 31 March 2002 HK\$'000 |
|--------------------|---|------------------------------|
| 0 — 30 days | 1,255 | 1,365 |
| 31 — 60 days | 904 | 611 |
| 61 — 180 days | 73 | 78 |
| More than 180 days | 10 | 213 |
| | <u>2,242</u> | <u>2,267</u> |

13. Trade and Other Payables

Details of the ageing analysis of trade payables are as follows:

| | 30 September 2002 HK\$'000 | 31 March 2002 HK\$'000 |
|-------------------|---|------------------------------|
| 0 — 30 days | 1,084 | 986 |
| 31 — 60 days | 228 | 560 |
| 61 — 90 days | 69 | 341 |
| More than 90 days | 815 | 250 |
| | <u>2,196</u> | <u>2,137</u> |

14. Share Capital

| | 30 September 2002 HK\$'000 | 31 March 2002 HK\$'000 |
|---|---|------------------------------|
| <i>Authorised:</i> | | |
| 20,000,000,000 ordinary shares of HK\$0.05 each | <u>1,000,000</u> | <u>1,000,000</u> |
| <i>Issued and fully paid:</i> | | |
| 1,547,042,829 ordinary shares of HK\$0.05 each | <u>77,352</u> | <u>77,352</u> |

15. Charges on Assets

At the balance sheet date, 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> |

16. Post Balance Sheet Events

Subsequent to the balance sheet date, the Group has the following significant events:

- (a) On 14 May 2003, the Provisional Liquidators, on behalf of the Company, entered into a conditional Restructuring Agreement with an independent third party, MRL, in relation to the Restructuring Proposal for the Company. 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 involves, amongst other things, a capital restructuring, debt restructuring involving the Schemes, and a subscription of new shares and warrants as detailed below:

(i) Capital restructuring

The existing authorised share capital of the Company is HK\$1,000,000,000 divided into 20,000,000,000 shares, of which 1,547,042,829 shares of par value HK\$0.05 each are issued and credited as fully paid up. The Company's share capital will be re-organised as follows:

- (1) the par value of every issued share capital will be reduced from HK\$0.05 to HK\$0.0006 and every un-issued share will be cancelled;
- (2) every 100 issued shares reduced pursuant to (i)(1) above of HK\$0.0006 will be consolidated into 1 share of HK\$0.06 each;
- (3) each issued share reduced and consolidated pursuant to (i)(1) and (i)(2) above will be divided into 6 new shares of HK\$0.01 each; and
- (4) the Company's authorised share capital will be reduced to HK\$100,000,000 divided into 10,000,000,000 new shares.

(ii) Debt restructuring

The debt restructuring will involve proposed Schemes under which in the consideration of the Company's creditors' (other than the preferential creditors) discharging and waiving all their claims against the Company, the scheme administrators will receive the following with estimated value of approximately HK\$39 million (being the cash and value of new shares of the Company estimated at par value) for the distribution, on pro-rata basis, to the admitted schemes creditors:

- (1) HK\$38 million in cash from the subscription proceeds for HK\$46 million (as referred to below) to be paid by MRL upon completion;
- (2) 96,000,000 new shares of the Company at par value of HK\$0.01 each; and
- (3) any cash held by the Company as at the date of completion.

(iii) Subscription

MRL will subscribe, in accordance with the terms of Subscription Agreement before the completion, for 4,600,000,000 new shares of the Company at HK\$0.01, representing approximately 96.06% of the enlarged issued share capital of the Company immediately after the completion, for an aggregate consideration of HK\$46 million in cash. HK\$38 million of the Subscription Proceeds will be applied to the cash payments to the scheme administrators for distribution to the schemes creditors of the Company on pro-rata basis, HK\$1 million will be paid to a petitioning creditor for the settlement of the petitioning costs upon completion, HK\$6.4 million will be applied towards the costs and expenses of Restructuring Proposal and the remaining balance of HK\$0.6 million will be retained as working capital of the Company up to the completion of the Restructuring Agreement.

In addition, MRL will in accordance with the terms of the Subscription Agreement, subscribe for warrants of the Company which entitle the holder(s) to subscribe for a number of new shares of the Company representing 20% of the enlarged issued share capital of the Company upon completion for a total consideration of HK\$1 (“Warrants”). The Warrants, if fully exercised at the exercise price of HK\$0.01 per new share (subject to adjustment), will result in the issuance of approximately 957,764,000 new shares of the Company and additional capital of approximately HK\$9 million to the Company.

All the new shares to be issued pursuant to the Subscription Agreement and the exercise of the Warrants will rank pari passu in all respects with the existing new shares of the Company upon the capital restructuring becoming effective.

If requested, MRL agrees to undertake that for a period of 12 months after the completion of the Restructuring Agreement it will make financial accommodation available to the Company for the working capital requirements of the Group on such terms and conditions as MRL and the Company may from time to time agree.

Other precedent conditions are disclosed in the Company’s announcement dated 18 June 2003.

- (b) Subsequent to the balance sheet date and in June 2003, an enforcement order was granted by the court of Shenzhen, PRC in favour of a creditor bank, pursuant to a judgement order awarded in December 2002, to take possession of the Group’s property at Shenzhen, PRC. The property is stated at a carrying value of approximately HK\$1,251,000 (31 March 2002: HK\$1,267,000) at the balance sheet date.
- (c) On 22 June 2002, the Provisional Liquidators, on behalf of the Company, entered into a restructuring agreement regarding the restructuring proposal as amended by a supplemental agreement dated 3 October 2002, and a subscription agreement dated 13 November 2002 (collectively “Former Agreements”), with the former investors (“Former Investors”). The Former Agreements were subsequently terminated as the Former Investors breached the stipulated terms. The non-refundable deposits of approximately HK\$2,001,000 and contributions paid for the administrative expenses of approximately HK\$1,260,000 were forfeited by the Company and credited to the income statement as other income for the year ended 31 March 2003.

Subsequent to the balance sheet date and on 30 July 2003, the Former Investors applied to the Court for leave to commence proceedings against the Company. On 2 October 2003, the Court dismissed the application of the Former Investors and refused to grant them with leave to commence proceedings against the Company.

The Former Investors filed a notice of appeal on 14 October 2003 in respect of the order made by the Court on 13 October 2003 (“Order”). The Provisional Liquidators have 21 days from the date of the appeal notice to file a notice responding to the notice of appeal if Counsel considers this to be necessary. The Provisional Liquidators, their legal advisor and Counsel have reviewed the notice of appeal filed by the Former Investors and have confirmed their earlier advice that the Provisional Liquidators were entitled to terminate the Former Agreements and that the Former Investors have no grounds upon which they could successfully appeal against the Order and accordingly, no provision for the claim is made in the condensed consolidated financial statements.

17. Related Party Transactions

Details of significant related party transactions during the interim reporting period are as follows:

| (a) | For the six months ended 30 September | |
|---|--|-----------------|
| | 2002 | 2001 |
| | HK\$’000 | HK\$’000 |
| Interest income receivable from the I-China Group | 188 | 245 |
| Rental expenses payable to the I-China Group | — | 24 |

Interest income was calculated with reference to prevailing market interest rates. Rental expenses were determined based on market rates and floor area.

- (b) The Group's bank borrowings amounting to approximately HK\$29 million (31 March 2002: HK\$27 million) were guaranteed by I-China Holdings Limited (Provisional Liquidators Appointed) ("I-China") as substantial shareholder of the Company.

18. 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.

PROVISIONAL LIQUIDATORS' REPORT

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 creditors 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.

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, 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.

DIRECTORS' INTEREST IN SECURITIES

Save as disclosed below and under the section headed "Share Option Scheme" below, to the best of the knowledge of the Provisional Liquidators having made all reasonable enquiries, as at 30 September 2002, none of the directors of the Company and their associates had any interest in the securities of the Company and its associated corporations, within the meaning of the Securities and Futures Ordinance ("SFO"), which were required to be notified to the Company and the Stock Exchange pursuant to section 341 of the SFO (including interests which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

| Name | Type of interest | Number of shares held |
|--------------------------|--------------------|-----------------------|
| Ms. Shirley Choi Siu Lui | Personal interests | 500,000 |
| Mr. Choi Sai Leung | Personal interests | 9,000,000 |

DIRECTORS' INTERESTS IN I-CHINA

As at 30 September 2002, the interests of the directors of the Company and their associates in I-China, within the meaning of SFO, which were required to be notified to the Company and Stock Exchange pursuant to section 341 of the SFO (including interest which they were deemed or taken to have under section 344 of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Stock Exchange were as follows:

(a) Shares in I-China

| Name of Director | Type of interests | Number of shares held |
|--------------------|-------------------|-----------------------|
| Mr. Choi Sai Leung | Other interests | 127,144,278 (note) |

Note: This represents the deemed interest of Mr. Choi in 127,144,278 shares in I-China held by Norham as at 30 September 2002. Norham was the asset of a discretionary trust, the Celleroy Trust. Mr. Choi, being the sole shareholder and sole director of the trustee, Celleroy, was deemed to have an interest in these shares.

(b) Share Options in I-China

| Name of Directors | Notes | Number of share options | | | | |
|-----------------------|-------|-------------------------|---------------------------------|-----------------------------------|--|----------------------------|
| | | At 1 April 2002 | Granted during the period | Exercised during the period | Lapsed/ Cancelled during the period | At 30 September 2002 |
| Shirley Choi Siu Lui | 1&2 | 12,700,000 | — | — | — | 12,700,000 |
| Norman Choi Sung Fung | 1&2 | 2,000,000 | — | — | — | 2,000,000 |
| Choi Sai Leung | 1&3 | 12,700,000 | — | — | 12,700,000 | — |
| Hui Kam Yip | 1&3 | 12,700,000 | — | — | 12,700,000 | — |
| Ou Yirong | 1&4 | 5,600,000 | — | — | 5,600,000 | — |

Notes:

1. The share options outstanding as at 1 April 2002 were granted on 22 November 1999 at HK\$1.00 paid by each grantee, which entitle the holders to subscribe for ordinary shares of I-China at an exercise price of HK\$0.23 per share and are exercisable from 23 May 2000 to 22 November 2004 in accordance with the following terms:
 - (i) up to a maximum of 50% of the share options granted shall be exercisable on or after 23 May 2000; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 23 May 2001
2. These share options granted to Ms. Shirley Choi Siu Lui and Mr. Norman Choi Sung Fung were lapsed on 22 March 2003 pursuant to the share option scheme.
3. Mr. Choi Sai Leung was declared bankrupt by the High Court of Hong Kong on 3 April 2002 as a result the share options granted to him and Ms. Hui Kam Yip, the spouse of Mr. Choi Sai Leung, were cancelled on the same date pursuant to the share option scheme.
4. These share options granted to Ms. Ou Yirong lapsed on 30 April 2002 pursuant to the terms of the share option scheme.

No option was granted to or exercised by the Directors of the Company or their associates during the period.

Save as disclosed above, at no time during the period was the Company or any of the subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of I-China or any other body corporate, and none of the Directors, chief executives or their spouses or children under the age of eighteen had any right to subscribe for the securities of I-China, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

Since trading in the securities of the Company has been suspended since 2:20 p.m. on 28 December 2001, no transfer of shares have been effected and registered thereafter. To the best of the knowledge of the Provisional Liquidators, having made all reasonable enquiries, the following parties with interest representing 10% or more of the Company's issued share capital were recorded in the register of substantial shareholders maintained pursuant to Section 16(1) of the Securities (Disclosure of Interests) Ordinance as at 28 December 2001:

| Name of shareholder | Notes | Number of shares of the Company held | | | Percentage of Issued share capital |
|---|-------|--------------------------------------|-----------------|----------------|------------------------------------|
| | | Direct interest | Deemed interest | Total interest | |
| I-China | 1 | — | 426,191,518 | 426,191,518 | 27.54% |
| Seapower International (B.V.I.) Limited | 1 | — | 426,191,518 | 426,191,518 | 27.54% |
| Seapower Consortium Company Limited | 1 | — | 426,191,518 | 426,191,518 | 27.54% |
| Felcasa International Limited | 2 | 53,000,000 | 373,191,518 | 426,191,518 | 27.54% |
| Fordit Limited | 3 | 373,191,518 | — | 373,191,518 | 24.12% |

Notes:

1. These represented the deemed interest in 426,191,518 shares in the Company held by Felcasa International Limited and Fordit Limited which are wholly-owned subsidiaries of these companies.
2. This included the deemed interest in 373,191,518 shares in the Company held by Fordit Limited which is a wholly-owned subsidiary of Felcasa International Limited.
3. This included 159,315,000 shares in the Company held by Peregrine Brokerage Limited (In Members' Voluntary Liquidation) as chargee.
4. According to the records available to the Provisional Liquidators, approximately 199,680,000 shares have been charged to Kingston Securities Limited, approximately 3,000,000 shares charged to KGI Finance Ltd, approximately 54,196,518 shares charged to KG Investments Holdings Ltd, and approximately 159,315,000 shares charged to Peregrine Brokerage Limited (In Members' Voluntary Liquidation).

In addition, as at 23 September 2003, the Company was notified by the following parties with interests representing 5% or more of the issued share capital of the Company pursuant to Section 336 of the SFO. Accordingly, the Provisional Liquidators of the Company are confirming information in respect of the shareholding of I-China in the Company.

| Name of shareholder | Notes | Number of shares of the Company held | | | Percentage of Issued share capital |
|-----------------------------|-------|--------------------------------------|-----------------|----------------|------------------------------------|
| | | Direct interest | Deemed interest | Total interest | |
| KGI Securities Co., Ltd | 1 | — | 187,346,664 | 187,346,664 | 12.11% |
| Richpoint Company Ltd | 1 | — | 187,346,664 | 187,346,664 | 12.11% |
| KG Investments Holdings Ltd | 2&4 | — | 187,346,664 | 187,346,664 | 12.11% |
| KGI International Ltd | 2 | — | 187,346,664 | 187,346,664 | 12.11% |
| KGI Finance Ltd | 3 | 120,845,000 | — | — | 7.81% |

Notes:

1. These represented the deemed interest in 187,346,664 shares in the Company through KGI Finance Ltd and Jubilant Dynasty Ltd. KGI Finance Ltd and Jubilant Dynasty Ltd are wholly owned by KG Investments Holdings Ltd, which in turn is owned as to 79.20% by Richpoint Company Ltd, a wholly subsidiary of KGI Securities Co. Ltd..
2. These represented the deemed interest in 187,346,664 shares in the Company which are held by the wholly-owned subsidiaries of these companies, namely KGI Finance Ltd and Jubilant Dynasty Ltd.
3. This included 3,000,000 shares pledged by Felcasa International Limited.
4. According to the records available to the Provisional Liquidators, approximately 54,196,518 shares in the Company has been charged to KG Investments Holdings Ltd by Felcasa International Limited and Fordit Limited.

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.

EMPLOYEES

The Group had approximately 30 employees in Hong Kong, PRC and Australia as at 30 September 2002. The Group ensures that pay scales of its employees are rewarded on a performance-related basis within the general framework of the Group's remuneration strategy.

SHARE OPTION SCHEME

The share option scheme ("Option Scheme") became effective on 30 September 1999 and, unless otherwise cancelled or amended, was to remain in force for 5 years from that date.

Due to the financial difficulties of the Group, all the employment contracts of the staff and consultant were terminated before the period ended and, as at 30 September 2002, the outstanding options previously granted to the staff were not exercised and thus lapsed in accordance with the terms of the Option Scheme.

Subsequent to the recently amended chapter 17 of the Listing Rules with effect from 1 September 2001, no further share options were granted under the Option Scheme to any eligible employees of the Company or any of its subsidiaries (including Executive Directors and other officers of the Company or its subsidiaries) to subscribe for shares in the Company in accordance with the terms of the Option Scheme.

Details of share options which have lapsed under the Option Scheme during the period are as follows:

| Name of directors | Notes | Number of share options | | | | |
|---|-------|-------------------------|---------------------------|-----------------------------|------------------------------------|----------------------|
| | | At 1 April 2002 | Granted during the period | Exercised during the period | Lapsed/Cancelled during the period | At 30 September 2002 |
| Shirley Choi Siu Lui | 1 & 2 | 38,584,795 | — | — | 38,584,795 | — |
| Norman Choi Sung Fung | 1 & 2 | 10,784,435 | — | — | 10,784,435 | — |
| Choi Sai Leung | 1 & 3 | 38,584,795 | — | — | 38,584,795 | — |
| Hui Kam Yip | 1 & 3 | 38,584,795 | — | — | 38,584,795 | — |
| Ou Yirong | 1 & 4 | 11,981,846 | — | — | 11,981,846 | — |
| Dennis Hon King Sang (former director) | 1 & 5 | 1,197,411 | — | — | 1,197,411 | — |
| Continuous Contract Employees | 1 & 8 | 8,740,788 | — | — | 8,740,788 | — |
| | 6 & 8 | 630,000 | — | — | 630,000 | — |
| Others | 7 & 8 | 200,000 | — | — | 200,000 | — |
| Total | | 149,288,865 | — | — | 149,288,865 | — |

Notes:

1. The share options outstanding as at 1 April 2002 were granted on 22 November 1999 at HK\$1.00 paid by each grantee, which entitle the holders to subscribe for ordinary shares of the Company at an exercise price of HK\$0.125 per share and are exercisable from 23 May 2000 to 22 November 2004 in accordance with the following terms:
 - (i) up to a maximum of 50% of the share option granted shall be exercisable on or after 23 May 2000; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 23 May 2001
2. These share options granted to Ms. Shirley Choi Siu Lui and Mr. Norman Choi Sung Fung lapsed on 9 April 2002 pursuant to the Option Scheme.
3. Mr. Choi Sai Leung was declared bankrupt by the High Court of Hong Kong on 3 April 2002 and these share options granted to him and Ms. Hui Kam Yip, the spouse of Mr. Choi Sai Leung, was cancelled on the same date, pursuant to the Option Scheme.
4. These share options lapsed on 30 April 2002 pursuant to the Option Scheme.
5. These share options lapsed on 1 May 2002 pursuant to the terms of the Option Scheme.
6. The share options outstanding as at 1 April 2002 were granted on 19 October 2000 at HK\$1.00 paid by each grantee, which entitle the holders to subscriber for ordinary shares of the Company at an exercise price of HK\$0.125 per share and are exercisable from 1 May 2001 to 18 October 2005.
7. The share options outstanding as at 1 April 2002 were granted on 5 August 2000 at HK\$1.00 paid by the grantee, which entitles the holders to subscribe for ordinary shares of the Company at an exercise price of HK\$0.223 and are exercisable from 24 February 2001 to 31 July 2005 in accordance with the following terms:
 - (i) up to a maximum of 50% of the share options granted shall be exercisable on or after 24 February 2001; and
 - (ii) the full amount of the share options granted shall be exercisable on or after 24 February 2002
8. Due to the financial difficulties of the Group, all the employment contracts of the staff and consultant were terminated before the period ended and, as at 30 September 2002, the outstanding share options previously granted to the staff were not exercised and thus lapsed in accordance with the terms of the Option Scheme.

Save as disclosed above, at no time during the period was the Company or any of its associated corporations a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and none of the Directors, chief executive or their spouses or children under the age of eighteen had any right to subscribe for the securities of the Company or any of its associated corporations, or had exercised any such right during the period.

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 directors has been suspended.

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

Hong Kong, 30 October 2003