

The restructuring of Seapower Resources International Limited (the "Company") was completed on 5 December 2003 ("Completion Date"). On the same date, duties of the former Provisional Liquidators were released and discharged by the courts of the Cayman Islands and Hong Kong, respectively. All the former directors were removed and new executive and independent non-executive directors were appointed to the Board of the Company (the "Board"). Trading in the shares of the Company was resumed on 15 December 2003.

BUSINESS REVIEW

After the completion of the Company's restructuring on the Completion Date, the Company and its subsidiaries (together "Group") concentrate resources on their core businesses of cold storage warehousing and logistics management services and explore into other business opportunities.

For the year ended 31 March 2004, the Group recorded a consolidated turnover of approximately HK\$10.0 million. The net profit for the year was approximately HK\$1,299.0 million. The operating loss was approximately HK\$8.4 million for the year, compared with approximately HK\$4.9 million for the year ended 31 March 2003.

Indebtedness of the Company's creditors was discharged in full, pursuant to the schemes of arrangement under debt restructuring, at a consideration of making distribution to the scheme creditors on the pro-rata basis which comprised a cash payment of HK\$38 million, any cash held by the Company on the Completion Date and issuance of 96 million new shares of the Company. There was a net gain on restructuring of approximately HK\$632.7 million for the financial year under review as a result of the written back of the Company's un-settled indebtedness waived by scheme creditors upon the Completion Date. On the Completion Date, the Company disposed of certain subsidiaries to an independent third party resulting in a gain on de-consolidation of these subsidiaries of approximately HK\$706.1 million.

The Board is examining the assets of the Group that were fully provided for previously due to the recoverability problem and has been taking appropriate actions in hope of resuming their value. The Board would from time to time assess the progress and result of the recovery exercise. Even though it is not appropriate for the Board to estimate the recovery probability, the Group should enjoy any upsides in case the recovery actions were successful.

FINANCIAL POSITION

The Group's cash and bank balances approximated HK\$6.1 million as at 31 March 2004 (2003: HK\$8.3 million). Out of the total borrowings of approximately HK\$10.7 million as at the balance sheet date, bank and other borrowings accounted for approximately HK\$5.7 million (2003: HK\$515.6 million) and approximately HK\$0.7 million of which were repayable within 1 year, HK\$2.4 million would be repayable over 1 year but not exceeding 5 years and the remaining would be repayable over 5 years. The remaining balance of HK\$5.0 million represented the convertible note ("Convertible Note") which will be expired on 31 December 2004 (2003: nil). The Convertible Note was issued to an independent third party for HK\$5.0 million on 10 February 2004 which if fully exercised will result in the issuance of 500,000,000 new shares of the Company. The gearing ratio of the Group was 80% as at 31 March 2004.

Statement of the Chief Executive Officer

Approximately 53% of the total borrowings was in Australian dollars. The Board considered foreign exchange risk being minimal. Bank borrowing was subject to floating interest rate. While the Convertible Note was interest free. The Group did not use financial instruments for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 20 employees in Hong Kong, the PRC and Australia as at 31 March 2004. 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.

The emoluments payable to the Company's directors are determined based on the scope of work, level of involvement, experience and seniority.

Information on the Group's mandatory provident fund scheme is set out in note 26 to the financial statements.

OUTLOOK

The management are of the view that the coming year will be a year of rebirth. The Australian economy experienced a boom in 2003 and shows no convincing sign of stopping. The Group expects both the cold storage warehousing and logistics management services in Australia will improve in the coming financial year.

With the introduction of the Closer Economic Partnership Arrangement and the strong sign of turnaround of the US economy, the Board remains optimistic on the continued improvement in local economic performance and market sentiment. The continuous GDP growth in the PRC in 2004 also provides numerous business opportunities. The Company will continue to look for opportunities for suitable investment and strategic alliances in its core businesses and related areas so as to strengthen its earning ability.

Finally, I have to thank our shareholders and stakeholders for their support and cooperation during the past year.

Kenneth Chan

Chief Executive Officer

Hong Kong, 7 June 2004