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SEAPOWER RESOURCES INTERNATIONAL LIMITED
(凱 暉 國 際 實 業 有 限 公 司) *

(Incorporated in the Cayman Islands with limited liability)

ISSUE OF A CONVERTIBLE NOTE

On 7 January 2004, the Company entered into the Subscription Agreement with the Subscriber pursuant to which the Company has conditionally agreed to issue and the Subscriber has conditionally agreed to subscribe for the Convertible Note amounting to HK\$5,000,000 in cash. Assuming the exercise in full of the conversion rights attaching to the Convertible Note at the conversion price of HK\$0.01 per Share, a total number of 500,000,000 new Shares will fall to be issued. The net proceeds from the issue of the Convertible Note of approximately HK\$5,000,000 will be used as general working capital for the Group

Trading in the Shares of the Company has been suspended since 9:30 a.m. on 8 January 2004 at the request of the Company pending the release of an announcement in respect of issue of the Convertible Note. Application has been made by the Company for the resumption of trading in the Shares on the Stock Exchange with effect from 9:30 a.m. on 9 January 2004.

SUBSCRIPTION AGREEMENT

1. Date: **7 January 2004**

2. Parties:

Issuer: The Company

The Subscriber: Miss Wang Li Ping, Miss Wang Li Ping is independent of and not connected with the directors, chief executive or substantial shareholders of the Company or its subsidiaries or any of their respective associates

3. Principal terms of the Convertible Note

Principal amount:	HK\$5,000,000
Initial Conversion price:	HK\$0.01 per Share, subject to adjustment
Interest:	the Convertible Note will not bear interest
Conversion period:	The Noteholder will have the right to convert the whole or part of the Convertible Note into Shares at any time after the end of the third months after the date of issue of the Convertible Note up to the Final Conversion Date
Conversion method:	Conversion should be in an amount of not less than HK\$200,000 (or in an integral multiple thereof) on each conversion. The Company has the right to convert the whole or part of the outstanding principal amount of the Convertible Note into Shares in an amount of not less than HK\$200,000 (and an integral multiple thereof) at the Conversion Price on the Final Conversion Date. Any outstanding principal amount of the Note, if not converted, will be redeemed by cash on the Final Conversion Date.
Maturity:	In case the Noteholder does not fully exercise the conversion rights under the Convertible Note, the Company shall repay to the Noteholder the outstanding principal amount on the date of Final Conversion Date. There will be no early redemption right for the Convertible Note
Transferability:	Subject to the conditions, approval, requirements and any other provisions of or under: (1) the Stock Exchange or their rules and regulation; (2) the approval for listing in respect of the Shares; and (3) all applicable laws and regulations, the Convertible Note may only be assigned or transferred with the prior written consent from the Company, to any party. The Company undertakes to the Stock Exchange that it will disclose to the Stock Exchange any dealings in the Convertible Note by any connected person or their associates
Voting:	The Noteholder of the Convertible Note will not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the Noteholder
Listing:	No application will be made for the listing of the Convertible Note on the Stock Exchange. An application will be made to the Stock Exchange for the listing of and permission to dealing in the Convertible Shares which may fall to be issued pursuant to the Convertible Note

Ranking: New Shares to be issued upon conversion shall rank pari passu in all respects with all other existing Shares outstanding at the date of the conversion notice and be entitled to all dividends and other distributions the record date of which falls on a date on or after the date of the conversion notice

The terms of the Convertible Note were negotiated between the Company and the Subscriber on an arm's length basis. The directors of the Company consider that the issue of the Convertible Note is on normal commercial terms and terms of the Convertible Note are fair and reasonable and in the best interest of the Group and the Shareholders as a whole.

Assuming the exercise in full of the conversion rights attaching to the Convertible Note at a conversion price of HK\$0.01 per Share, a total number of 500,000,000 Convertible Shares will be issued, representing 10.44% of the Company's existing issued share capital of 4,788,822,570 Shares and approximately 9.45% of the Company's issued share capital as enlarged by the issue and allotment of such New Shares. After the full conversion of the Convertible Note, the shareholding of the Company's Shares held by the Controlling Shareholder will be diluted to 63.44%. Yet the public float of the Company's Shares can still be maintained at 27.11% after the full conversion of the Convertible Note.

The latest closing price and the average closing price for the last five days of the Share before suspension was HK\$0.057 and HK\$0.049 respectively. The conversion price of HK\$0.01 per Share represented a discount of approximately 82% to the latest closing price of HK\$0.057 per Share and approximately 80% to the average closing price of HK\$0.049 per Share for five consecutive Business Days before the suspension of trading in the Shares.

Nevertheless, the directors of the Company consider the market price cannot fully reflect the underlying assets value of the Group and the market price fluctuate significantly after the resumption of trading on 15 December 2003 and is not a benchmark for fixing the conversion price. With reference to the Company's circular dated 21 October 2003, the net tangible assets of the Group after the restructuring of the Company was approximately HK\$18 million or HK\$0.0037 per Share. Based on the aforesaid, the conversion price of HK\$0.01 per Share represented a premium of approximately 1.7 times of the Group's net tangible assets upon completion of the restructuring. Considerations are also given to the recent events including (1) the exercise price of HK\$0.01 per Share on the existing 3-year unlisted and transferable warrants of the Company issued on 5 December 2003; (2) 4,600,000,000 Shares issued at par value of HK\$0.01 per Share to the controlling shareholder of the Company on 5 December 2003; and (3) the placing of 1,245,000,000 Shares at placing price of HK\$0.011 per Share on 5 December 2003. The directors of the Company considered the conversion price of the Convertible Note fixed at HK\$0.01 per Share is reasonable and acceptable.

4. Conditions of the Subscription Agreement

Completion of the subscription of the Convertible Note is conditional upon the fulfillment of the following conditions:

- (a) the Listing Committee of the Stock Exchange having granted (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) listing of and permission to deal in the Convertible Shares; and
- (b) The Stock Exchange having approved (either unconditionally or subject only to conditions to which neither the Company nor the Subscriber shall reasonably object) the issue of the Convertible Note, or the Company having received no objection from the Stock Exchange to the issue of the Convertible Note.

If the above conditions precedents are not fulfilled on or before 15 February, 2004 or such later date as may be agreed between the Subscriber and the Company, the Subscription Agreement will lapse and become null and void. Completion of the Subscription Agreement shall take place on the Business Day following the date on which the conditions precedents have been fulfilled (or such other date as the Company and the Subscriber may agreed).

The authority of issue of the Convertible Note for issue of new Shares of the Company is pursuant to the general mandate granted to the Board of the Company on the extraordinary general meeting on 14 November 2003

REASONS FOR THE ISSUE OF CONVERTIBLE NOTE

As announced on 5 December 2003, the restructuring of the Company has been completed on the same date of the announcement. Out of the proceeds of HK\$46 million under the restructuring, HK\$38 million was distributed to the admitted schemes creditors, HK\$6.4 million was applied towards the costs of restructuring and the remaining balance of HK\$0.6million was retained and fully utilized as working capital of the Company up to the completion of the restructuring. Following that, the Group continues to operate the cold storage warehousing and logistics services businesses and consider opportunity to enhance the business in Australia and Asia Pacific region. Hence the Group is in need of working capital. The directors of the Company consider that the proceeds from the issuance of the Convertible Note will be used for the general working capital for the Group.

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DEFINITIONS

In this announcement, the following terms have the following meanings unless otherwise define.

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Business Day”	a day (excluding Saturday) on which banks in Hong Kong are generally open for business
“Company”	Seapower Resources International Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange
“Completion Date”	the Business Day next following the date on which the conditions precedents have been fulfilled (or such other date as may be agreed between the Company and the Subscriber)
“Controlling Shareholder”	Many Returns Limited, a company incorporated in British Virgin Islands, beneficially interested in approximately 70.06% of the existing issued share capital of the Company
“Convertible Shares”	Such number of new Shares to be issued upon the exercise in full or in part of the conversion rights attaching to the Convertible Note
“Convertible Note”	the convertible note with principal amount of HK\$5,000,000 proposed to be issued by the Company under the Subscription Agreement
“Final Conversion Date”	31 December 2004
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maturity”	Three months after the issue of Convertible Note
“Noteholder”	the person who is for the time being holder of the Convertible Note
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Subscriber”	Miss Wang Li Ping, Miss Wang Li Ping is independent of and not connected with the directors, chief executive or substantial shareholder of the Company or its subsidiaries or any of their respective associates
“Subscription Agreement”	the subscription agreement dated 7 January, 2003 entered into between the Company and the Subscriber pursuant to which the Company conditionally agreed to issue and the Subscriber conditionally agreed to subscribe for the Convertible Note
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By Order of the Board
Seapower Resources International Limited
Kenneth Chan
Director

8 January 2004

* *For identification only*

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