



INTERIM REPORT 2005



SEAPOW



SEAPOW RESOURCES INTERNATIONAL LIMITED
(Incorporated in the Cayman Islands with limited liability)



RESULTS

The Board of Directors (“Directors”) of Seapower Resources International Limited (the “Company”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively called the “Group”) for the six months ended 30 September 2005 and the unaudited condensed consolidated balance sheet of the Group as at 30 September 2005.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September

	Notes	2005 HK\$'000 (Unaudited)	2004 HK\$'000 (Unaudited)
Turnover		2,805	4,173
Direct operating expenses		(2,412)	(3,091)
Other revenue		48	21
Other income		—	47
Selling and administrative expenses		(6,791)	(5,608)
Other operating expenses	4	—	(514)
Loss from operations		(6,350)	(4,972)
Finance costs		(193)	(198)
Loss before taxation		(6,543)	(5,170)
Taxation	5	—	—
Loss for the period		<u>(6,543)</u>	<u>(5,170)</u>
Attributable to:			
Equity holders of the Company		<u>(6,543)</u>	<u>(5,170)</u>
Dividends	6	<u>—</u>	<u>—</u>
Loss per share			
Basic	7	<u>(0.16 cents)</u>	<u>(0.10 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>



CONDENSED CONSOLIDATED BALANCE SHEET

		30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	8	<u>19,628</u>	<u>19,501</u>
CURRENT ASSETS			
Trade and other receivables	9	<u>2,818</u>	2,401
Cash and bank balances		<u>14,391</u>	6,820
		17,209	9,221
CURRENT LIABILITIES			
Trade and other payables	10	<u>3,534</u>	3,127
Interest bearing borrowings — due within one year	11	<u>1,903</u>	603
Amounts due to subsidiaries under liquidation		<u>490</u>	490
		<u>5,927</u>	4,220
NET CURRENT ASSETS		<u>11,282</u>	<u>5,001</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,910	24,502
NON-CURRENT LIABILITIES			
Interest bearing borrowings — due after one year	11	<u>(4,067)</u>	(4,435)
		26,843	20,067
CAPITAL AND RESERVES			
Share capital	12	63,530	62,466
Reserves		<u>(36,687)</u>	(42,399)
		<u>26,843</u>	<u>20,067</u>



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2005

	Issued capital HK\$'000	Capital		Asset			Accumulated losses HK\$'000	Total HK\$'000
		Share premium HK\$'000	redemption reserve HK\$'000	Capital reserve HK\$'000	revaluation reserve HK\$'000	Translation reserve HK\$'000		
At 1 April 2005	62,466	432,722	3,800	20,918	7,965	(1,002)	(506,802)	20,067
Issue of new ordinary share	1,064	12,236	—	—	—	—	—	13,300
Exchange differences	—	—	—	—	—	19	—	19
Net loss for the period	—	—	—	—	—	—	(6,543)	(6,543)
At 30 September 2005	<u>63,530</u>	<u>444,958</u>	<u>3,800</u>	<u>20,918</u>	<u>7,965</u>	<u>(983)</u>	<u>(513,345)</u>	<u>26,843</u>
At 1 April 2004	47,888	432,722	3,800	20,918	7,965	(957)	(498,990)	13,346
Exchange differences	—	—	—	—	—	9	—	9
Net loss for the period	—	—	—	—	—	—	(5,170)	(5,170)
At 30 September 2004	<u>47,888</u>	<u>432,722</u>	<u>3,800</u>	<u>20,918</u>	<u>7,965</u>	<u>(948)</u>	<u>(504,160)</u>	<u>8,185</u>



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2005

	2005 <i>HK\$'000</i> (Unaudited)	2004 <i>HK\$'000</i> (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(5,444)	(2,976)
NET CASH USED IN INVESTING ACTIVITIES	(1,348)	(273)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>14,122</u>	<u>(421)</u>
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,330	(3,670)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	241	9
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<u>6,820</u>	<u>6,089</u>
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	<u><u>14,391</u></u>	<u><u>2,428</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENT		
Cash and bank balances	<u><u>14,391</u></u>	<u><u>2,428</u></u>



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable requirements of the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Stock Exchange”), the Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial Reporting” and other relevant HKASs and Interpretations, the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by The Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The basis of preparation and accounting policies adopted in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the Company’s annual financial statements for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of new/revised HKFRSs and HKAS which are effective for accounting periods commencing on or after 1 January 2005.

The changes to the Group’s accounting policies and the effect on adoption of these new policies are set out in note 1(b) below.

b) Changes in Accounting Policies

In 2005, the Group adopted the applicable new/revised HKFRSs below. Accordingly, the 2004 comparatives had been restated in accordance with the relevant requirements.

HKAS 1	: Presentation of financial statements
HKAS 2	: Inventories
HKAS 7	: Cash flow statements
HKAS 8	: Accounting policies, changes in accounting estimates and errors
HKAS 10	: Events after the balance sheet date
HKAS 12	: Income taxes
HKAS 14	: Segment reporting
HKAS 16	: Property, plant and equipment
HKAS 17	: Leases
HKAS 18	: Revenue



HKAS 19	:	Employee benefits
HKAS 21	:	The effects of changes in foreign exchange rates
HKAS 23	:	Borrowing costs
HKAS 24	:	Related party disclosures
HKAS 27	:	Consolidated and separate financial statements
HKAS 33	:	Earnings per share
HKAS 34	:	Interim financial reporting
HKAS 36	:	Impairment of assets
HKAS 37	:	Provisions, contingent liabilities and contingent assets
HKAS 38	:	Intangible assets
HKFRS 2	:	Share-based payment
HKFRS 3	:	Business combinations

The adoption of the above new HKASs 1, 2, 7, 8, 12, 14, 16, 17, 18, 19, 21, 23, 24, 27, 33, 34, 36, 37, 38 and HKFRS 3 did not result in substantial changes to the Group's accounting policy, except that HKAS 1 affects certain presentation and disclosure of the accounts and HKFRS 2 is adopted prospectively for the period commencing from 1 January 2005.

2. BUSINESS AND GEOGRAPHICAL SEGMENT INFORMATION

Geographical Segments

For the six months ended 30 September 2005

	Hong Kong and PRC HK\$'000	Australia HK\$'000	Consolidated HK\$'000
REVENUE			
External revenue	—	2,805	2,805
Other revenue	42	6	48
Total revenue	<u>42</u>	<u>2,811</u>	<u>2,853</u>
SEGMENT RESULTS	<u>(3,763)</u>	<u>(2,587)</u>	<u>(6,350)</u>



For the six months ended 30 September 2004

	Hong Kong and PRC HK\$'000	Australia HK\$'000	Consolidated HK\$'000
REVENUE			
External revenue	—	4,173	4,173
Other revenue	—	21	21
Total revenue	—	4,194	4,194
SEGMENT RESULTS	(4,333)	(639)	(4,972)

3. DEPRECIATION AND AMORTISATION

During the period, depreciation and amortisation of approximately HK\$842,000 (for the six months ended 30 September 2004: HK\$770,000) was charged in respect of the Group's property, plant and equipment.

4. OTHER OPERATING EXPENSES

Other operating expenses comprise:

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Provision for bad and doubtful debts	—	478
Others	—	36
	—	514



5. TAXATION

No provision for Hong Kong Profits Tax and taxation in overseas countries, in which the Group operates, have been made in the financial statement as the Group did not have any assessable profit derived in the respective jurisdictions for both years.

The Group and the Company did not have any other significant unprovided deferred taxation in respect of timing differences arising during the period or as at the balance sheet date.

6. DIVIDEND

No dividend has been paid or declared by the Company for the six months ended 30 September 2005.

7. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the period of approximately HK\$6,543,000 (for the six months ended 30 September 2004: HK\$5,170,000) and on 6,300,659,215 shares (for the six months ended 30 September 2004: 4,788,822,570 shares).

Diluted loss per share is not presented as there were no dilutive potential ordinary shares in existence for the six months ended 30 September 2005.

8. PROPERTY, PLANT AND EQUIPMENT

No impairment losses were recognised in respect of property, plant and equipment for both periods. During the period, the Group spent approximately HK\$1,396,000 on property, plant and equipment and also disposed property, plant and equipment with net book value of approximately HK\$123,000.



9. TRADE AND OTHER RECEIVABLES

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
Trade receivables	1,814	906
Other receivables	182	190
Deposit paid	503	501
Prepayment	319	804
	<u>2,818</u>	<u>2,401</u>

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

An ageing analysis of trade receivables are as follows:

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
0 — 30 days	312	399
31 — 60 days	—	343
61 — 180 days	1,502	164
More than 180 days	—	—
	<u>1,814</u>	<u>906</u>

10. TRADE AND OTHER PAYABLES

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
Trade payables	1,003	554
Other payables and accrual	2,531	2,573
	<u>3,534</u>	<u>3,127</u>



An ageing analysis of trade payables are as follows:

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
0 — 30 days	997	166
31 — 60 days	—	49
61 — 90 days	—	—
More than 90 days	<u>6</u>	<u>339</u>
	<u>1,003</u>	<u>554</u>

11. INTEREST BEARING BORROWINGS — CURRENT PORTION

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
Bank loan — secured	4,660	5,038
Less: Amount due over 1 year classified as non-current portion	(4,067)	(4,435)
Amount due within 1 year	593	603
Other loan — unsecured	<u>1,310</u>	<u>—</u>
	<u>1,903</u>	<u>603</u>

Other loan represents the amount due to the director Mr. Chan Chun Hing, which is unsecured, interest-bearing at 3% over the prevailing prime rate and repayable on 31 March 2006.



12. SHARE CAPITAL

	No. of shares	Amount HK\$'000
<i>Authorised:</i>		
At 31 March 2005 and at 30 September 2005 ordinary shares of HK\$0.01 each	<u>10,000,000,000</u>	<u>100,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2004	4,788,822,570	47,888
Issue of shares (note 1 and 2)	<u>1,457,764,514</u>	<u>14,578</u>
At 31 March 2005	6,246,587,084	62,466
Issue of shares (note 3)	<u>106,400,000</u>	<u>1,064</u>
At 30 September 2005	<u>6,352,987,084</u>	<u>63,530</u>

Notes:

1. On 23 December 2004, the holder of the convertible note in the principal amount of HK\$5,000,000 exercised the options to convert the whole note into 500,000,000 ordinary shares of HK\$0.01 each at par, which rank pari passu in all respects with the existing shares of the Company.
2. On 6 January 2005, the holder of the Warrants of HK\$3,000,000 exercised the attached rights to subscribe 300,000,000 ordinary shares of HK\$0.01 each in the capital of the Company which were allotted and issued at par on the same date.

On 7 March 2005, the holder of the remaining Warrants of HK\$6,577,645 exercised the attached rights to subscribe 657,764,514 ordinary shares of HK\$0.01 each in the capital of the Company which were allotted and issued at par on the same date.



3. On 29 June 2005, 106,400,000 new ordinary shares of HK\$0.01 each were issued at HK\$0.125 each per the subscription agreements dated 6 June 2005 to two independent third parties. The reason for the increase in issued share capital was to provide additional general working capital of the Company for its daily operations and its potential investments in clean energy projects.

All these new ordinary shares rank pari passu in all respects with the existing shares of the Company.

13. OPERATING LEASE COMMITMENTS

The Group leases its office and staff quarter under non-cancelled operating lease arrangements with remaining lease terms ranging from one to two years.

The Group had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	30 September 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
Within one year	1,570	1,570
In the second to fifth years, inclusive	98	882
	<u>1,668</u>	<u>2,452</u>

14. 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 2005 HK\$'000 (Unaudited)	31 March 2005 HK\$'000 (Audited)
Property, plant and equipment	<u>18,248</u>	<u>18,351</u>



15. CONTINGENT LIABILITIES

At the balance sheet date, the Company has given a guarantee to financial institutions in respect of credit facilities utilised by one of its subsidiaries to the extent of approximately HK\$4.6 million (at 31 March 2005: HK\$5 million).

16. RELATED PARTY TRANSACTIONS

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

	For the six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Interest paid to a director	32	—
Management fee paid to Integrated Project Solutions Limited	—	120

Interest expenses were calculated with reference to prevailing market interest rates.

17. SUBSEQUENT EVENTS

On 19 August 2005, a subsidiary of the Company entered into a conditional sale and purchase agreement to acquire a property at a consideration of RMB7,300,000.

The transaction was completed on 18 October 2005 and the consideration was satisfied by the issue of 53,994,083 ordinary shares of the Company.

Further details are set out in the Company's announcement dated 22 August 2005.



BUSINESS REVIEW

Review of the business development

For the six months ended 30 September 2005, the Company was mainly engaged on the operation of its core business of cold storage warehousing and logistics management services.

For the six months ended 30 September 2005, the turnover of the Group dropped by HK\$1.36 million (approximately 32%) compared with the last corresponding period to approximately HK\$2.8 million. The Group recorded an operating loss of approximately HK\$6.35 million for the same period as compared to the operating loss of approximately HK\$4.97 million for the last corresponding period. The business of the Group experienced a mild slow-down mainly because certain multi-national customers continued cutting down their external warehousing requirement.

Future plan and prospect

In view of the decline of the Company's operation in cold storage warehousing and logistics management services, the Company has focused on searching for business opportunities in clear energy industry in Mainland although the Group has not set any specific industrial or geographical limitations on its investment and is still actively negotiating with some potential business partners and associates with the aim of expanding the Company's scope of operation. The Company will inform the public as soon as reasonably practicable if any business opportunity becomes mature.

On 22 July 2005, the Company entered into a legally binding memorandum of understanding with the government of the Republic of Guyana setting out an arrangement for conducting exploration and exploitation of petroleum, natural gas and mineral resources in Guyana.



On 19 August 2005, the Company entered into an agreement for purchase of an office apartment in Shenzhen for advancement of the Group's operation in Mainland and part of the office is intended to be the principal place of business of the Group in Mainland.

The Group has strong faith in advancing its business in Mainland as well as in other jurisdiction.

LIQUIDITY AND FINANCIAL REVIEW

The Group mainly finances its daily operations with internally generated cash flows. At 30 September 2005, the current ratio of the Group, measured as total current assets to total current liabilities, was 2.9.

The Group conducts its business transactions mainly in Hong Kong dollars and Australian dollars. The total borrowings are predominantly in Hong Kong dollars and approximately HK\$4.6M was in Australian dollars. Bank borrowing was subject to floating interest rates. The advance from a director of HK\$1.3M is bearing interest at 3% over the prevailing prime rate. The Group did not use financial instruments or arrange any forward currency contract for hedging purposes and did not have foreign currency net investments being hedged by foreign currency borrowings and other hedging instruments. The management will review from time to time the potential foreign exchange exposure and will take appropriate actions to minimize any potential foreign exchange exposure risk to arise in the future.

On 29 June 2005, the Company issued 106,400,000 new ordinary shares to two independent third parties and raised HK\$13.3M for financing general working capital of the Company and potential future investments.

The gearing ratio of the Group, measured as total debts to total assets, was 0.27 as at 30 September 2005, comparing to 0.63 as at 31 March 2005.



CAPITAL COMMITMENT, CHARGES ON ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2005, the Group has no material capital commitment.

As at 30 September 2005, the Group's cold warehousing property located in Australia with a carrying value of approximately HK\$18.2 million has been pledged to secure the credit facilities granted and utilized by the Group.

As at 30 September 2005, the company has given a corporate guarantee amounting to approximately HK\$4.6 million in favour of the financial institutions for the credit facilities granted and utilized by its subsidiaries.

EMPLOYEES

The Group has approximately 10 employees in Hong Kong, PRC and Australia as at 30 September 2005. The Group ensures that the pay scales of its employees are rewarded on a performance rated basis within the general framework of the Group's remuneration policy.

SALE AND PURCHASE OF SHARES

There was no purchase, sale or redemption of shares in the Company made by the Company or any of its subsidiaries during the six months ended 30 September 2005.

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company has reviewed and discussed with management the internal controls, financial reporting matters and the unaudited interim financial report for the six months ended 30 September 2005. At the request of the directors, the interim financial statements have also been reviewed by our auditors, CCIF CPA Limited, in accordance with Statement of Auditing Standard 700 "Engagement to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review report has been issued.



DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES

At 30 September 2005, the beneficial interests and short positions of the directors and chief executive of the Company in the shares and underlying shares and debentures of the Company, its holding company, subsidiaries and other associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) as recorded in the register kept by the Company under section 352 of the SFO are as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Number of shares		Number of underlying shares (warrants)		Total	Percentage of issued share capital
	personal interest	corporate interests	personal interest	corporate interests		
Mr. Fung Tsun Pong <i>(note)</i>	NIL	1,033,000,000	NIL	NIL	1,033,000,000	16.26

Note: As at 30 September 2005, Mr. Fung Tsun Pong is the beneficial owner of the entire issued share capital of Ocean Gain Limited (“OGL”). In accordance with the SFO, the interests in OGL are deemed to be, and have therefore been included in the interests of Mr. Fung Tsun Pong.

Except as disclosed above:—

- (i) there were no interests, both long and short positions, held as at 30 September 2005 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) the Company or its subsidiaries did not grant to the Directors or Chief Executives or their spouse or children under 18 years of age any rights to subscribe for shares, underlying shares or debentures of the Company or any other body corporate nor had there been any exercises during the six months ended 30 September 2005 of any such rights by any of them.



SUBSTANTIAL SHAREHOLDERS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the Company's issued shares and/or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO as at 30 September 2005:

Long Position in shares of the Company

Name of shareholders	Capacity	Number of Shares	Percentage of issued shares
Richest Billion Limited (<i>note a</i>)	Beneficial owner	1,045,000,000	16.45
Ocean Gain Limited (<i>note b</i>)	Beneficial owner	1,033,000,000	16.26
Allkeen Investments Limited (<i>note c</i>)	Beneficial owner	1,000,000,000	15.74
Huang Wailing	Beneficial owner	930,064,514	14.64
Liu Feng Lei	Beneficial owner	355,900,000	5.6
Li Shi Miao	Interest of controlled corporation	1,045,000,000	16.45
Wong Yat Ping	Interest of controlled corporation	1,000,000,000	15.74

Notes: a. Richest Billion Limited is wholly-owned by Ms. Li Shi Miao.

b. Ocean Gain Limited is wholly-owned by Mr. Fung Tsun Pong, an executive director of the Company.

c. Allkeen Investments Limited is wholly-owned by Miss Wong Yat Ping.



Save as disclosed above, as at 30 September 2005, no other persons had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations as recorded in the registered required to be kept by the Company under Section 336 of the SFO.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

During the financial period under review, the Company has complied with all those code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Code”) which became applicable to the Company in respect of the period under review, except Non-executive directors of the Company do not have a specific term of appointment. However, non-executive directors are subject to the requirement to retirement by rotation and re-election at annual general meetings in accordance with the Company’s Articles of Association accomplishing the same purpose as a specific term of appointment.

The written terms of the Audit Committee has been reviewed and revised to comply with the Code. A Remuneration Committee was established for the purposes of determining specific remuneration packages of all executive directors and senior management; and reviewing and approving their performance-based remuneration and their compensation on termination. The written terms of reference which set forth the authorities and duties of the Remuneration Committee were also adopted.

THE MODEL CODE

The Company has adopted a code of conduct regarding directors’ securities transactions on terms no less than the required standard set out in the Model Code in Appendix 10 of the Listing Rules and the Directors of the Company has confirmed that they have complied with the required standard set out in the Model Code and the Company’s code of conduct regarding directors’ securities transactions.



OTHER DISCLOSURE

Save as disclosed, the Group either has had no material changes from the information disclosed in the latest annual report of the Company or are considered not significant to the Group's operations, thus no additional disclosure has been made in this report.

PUBLICATION OF RESULTS ON THE STOCK EXCHANGE'S WEBSITE

All the information required by paragraphs 46 of Appendix 16 to the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

As at the date of this report, the Board comprises of three Executive Directors, namely, Mr. Fung Tsun Pong, Mr. Chan Chun Hing, Kenneth and Mr. Tsang Kam Ching, David; and three Independent Non-Executive Directors, namely Mr. Wang Ji Cheng, Mr. Liu Ka Lim and Mr. Yip Tak On.

For and on behalf of
Seapower Resources International Limited
Tsang Kam Ching, David
Director

Hong Kong, 29 November 2005