

Statement of the Chief Executive Officer

To all shareholders,

I am pleased to present the 2005 Annual Report and the audited financial statements of Seapower Resources International Limited (the "Company") and its subsidiaries (together the "Group"), for the year ended 31 March 2005.

BUSINESS REVIEW

For year ended 31 March 2005, the Company has principally engaged in the operation of its core business of cold storage warehousing and logistics management service.

The business of the Group experienced a mild slow-down mainly because certain multi-national customers cut down their external warehousing requirement by developing or upgrading their own storage facilities. As a way out, the Group has been sourcing import traders which have increasing demand on storage space and actively seeking new business opportunities through strategic alliance with potential business partners.

FINANCIAL POSITION

For the year ended 31 March 2005, the Group recorded a consolidated turnover of approximately HK\$8.52 million representing a decrease of approximately 14.76% over that of the previous year (2004: HK\$9.99 million). The direct operating expenses of the year was approximately HK\$6.6 million (2004: HK\$8.5 million) representing a decrease of 22% which was greatly contributed to more effective cost management of the Group. The loss after taxes and minority interest attributable to shareholders for the year was approximately HK\$7.81 million (2004: profit of HK\$1,299 million). The operating loss was approximately HK\$7.52 million for the year (2004: HK\$8.36 million) representing an improvement of 10% over previous year. The net asset of the Group for the year was approximately HK\$20 million (2004: 13.3 million) representing an increase of 50%.

Current assets amount to HK\$9.2 million (2004: 8.8 million) which consists of cash and bank balances of HK\$6.8 million (2004: 6.1 million). Current liabilities amounted to HK\$4.2 million (2004: 10.2 million), the reduction was mainly due to the HK\$5 million convertible note converted during the year. The gearing ratio of the Group, measured as total debits to total assets was 30% (2004: 53%).

All of the bank borrowings was in Australian dollars. The Board considered foreign exchange risk being minimal. Bank borrowing was subject to floating interest rate. 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.

OUTLOOK

In January 2005, the Company entered into a legally non-binding strategic cooperation memorandum of understanding with Guangdong Guangye Assets Management Company Limited ("Guangye") expressing the strong intention of both the Company and Guangye to cooperate in the development of business involving clean energy project(s). The signing of the said memorandum of understanding could be a milestone in the Group's future business development.

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OUTLOOK *(Continued)*

The continuous global economic recovery, the steady growth in the economy of the PRC and the improving regional economy in Hong Kong present numerous business opportunities. In particular, the continuing strong growth of the PRC economy has been accompanied by domestic increase in demand for energy supply in recent years. With growing consciousness of environmental protection and more stringent environmental legislation and regulation, it is foreseen that clean energy supply will constitute a more substantial proportion of energy supplied and consumed in China. The Group believes that strong alliance with Guangye will enable the Group to capture extensive business opportunities in the PRC in particular in the area of clean energy projects. Recently, the Company has been actively engaged in negotiation with third parties for the acquisition of certain clean energy business recommended by Guangye.

The Group will continue to devote its efforts to consolidating existing resources, so as to enhance its control capabilities for the operational management and to capture new business opportunities. At the same time, the Group will continue to maintain its existing cold storage warehousing and logistics management services and to further expand such services whenever business opportunities that will benefit the Group arise. The Group is very confident as to its future development and the continued improvement in its business.

EMPLOYEES AND RETIREMENT BENEFIT SCHEME

The Group had approximately 11 employees in Hong Kong, the PRC and Australia as at 31 March 2005. 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 27 to the financial statements.

ACKNOWLEDGEMENTS

I am pleased with the continuous growth and evolution of the Group in a proactive and forward thinking manner. I wish to take this opportunity to extend my appreciation to all shareholders for their support and to thank Directors for their guidance and the staff members for their dedication and hard work during the past year.

Chan Chun Hing, Kenneth

Chief Executive Officer

Hong Kong, 28 June 2005