Statement of the Chief Executive Officer

To all shareholders,

I submitted herewith the 2006 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 2006.

Business Review

For year ended 31 March 2006, the Company has been principally engaged in the operation of its core business of cold storage warehousing and logistics management service.

The business of the Group experienced a scaled-down as certain major customers continued cutting their demand for external warehousing services by developing or upgrading their own storage facilities. To address these changes, the Group has been sourcing import traders which have increasing demand for storage space and actively seizing new business opportunities to expand its scope of business and diversify its revenue bases.

Financial Position

For the year ended 31 March 2006, the Group recorded a consolidated turnover of approximately HK$4.13 million (2005: HK$8.52 million) representing a decrease of approximately 52% over that of the previous year which was mainly due to continuous decease in demand for its warehousing services. The direct operating expenses of the year amounted to approximately HK$3.96 million (2005: HK$6.62 million) representing a decrease of 40% which is in line with the reduction in turnover for the year. The operating loss was approximately HK$13.17 million for the year (2005: HK$7.52 million) representing an increase of 75% and the loss after taxes attributable to the equity holders of the Company for the year was approximately HK$13.58 million (2005: HK$7.81 million) representing an increase of 74%, both of which were resulted from various expenses incurred in the course of acquisitions of new businesses entities.

The net asset of the Group for the year was approximately HK$60.42 million (2005: HK$20.07 million) which was almost treble that of last year and was primarily contributed by the value of a real estate acquired in Shenzhen and various funds raised by issue of new shares for potential acquisitions. Liquidity of the group for the year was largely improved with current assets amount to approximately HK$34.60 million (2005: HK$9.22 million) which consists of cash and bank balances of approximately HK$16.97 million (2005: HK$6.82 million) and time deposit of approximately HK$15 million (2005: Nil). Current liabilities as at 31 March 2006 amounted to approximately HK$3.36 million (2005: HK$4.22 million), the reduction was mainly due to decease in trade and other payables. The gearing ratio of the Group, measured as total debts to total assets, was 11% (2005: 30%).

The bank borrowings of the Group for the year amounted to approximately HK$4.08 million (2005: HK$5.04 million) of which approximately HK$3.52 million (2005: HK$4.43 million) will be due after one year. The bank borrowings were denominated in Australian dollars and subject to floating interest rate. The Board considered foreign exchange risk being minimal.

During the year, the Company has given a guarantee to a financial institution in respect of credit facilities utilised by one of its subsidiaries to the extent of approximately HK$5.3 million (2005: HK$5.0 million). As at 31 March 2006, the Group's cold storage warehouse, plant and equipment amounted to approximately HK$24.08 million (2005: HK$18.35 million) were pledged to secure credit facilities granted to and utilised by the Group.

Statement of the Chief Executive Officer

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. The Group has only one business segment which is cold storage warehousing and logistics management services.

Employees and Retirement Benefit Scheme

The Group had approximately 12 employees in Hong Kong, the PRC and Australia as at 31 March 2006. The Group implements remuneration policy, bonus and share options schemes to ensure 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 of the Group's Mandatory Provident Fund Scheme is set out in note 28 to the financial statements.

Outlook

Throughout the fiscal year, the Company set its priorities to ensure that resources and efforts were more effectively allocated in searching potential strategic partners in the energy industry and natural resources market. The Company, through its wholly-owned subsidiaries, entered into various acquisitions which were briefly outlined as below.

In August 2005, the Company acquired a real estate in Shenzhen for setting up the head office of the Group in the PRC as well as for investment purpose.

On 7 January 2006, the Company entered into a capital injection agreement to acquire a 51% equity interest of 河南阜源石油化工有限公司(Henan Fu Yuan Petroleum and Chemical Engineering Company Limited) ("Fuyuan") for a consideration of approximately HK$26.5 million. Fuyuan is a private company incorporated in the PRC engaging in wholesale and retail of oil and gas products including gasoline, petroleum, diesel oil and lubricating oil. A total of approximately HK$24.8 million net proceed was raised by issue of new shares for the purpose of funding the acquisition. The acquisition constitutes a very substantial acquisition to the Company under the Listing Rules and was approved by the shareholders of the Company on 12 June 2006 pending completion which is subject to various conditions.

In addition, on 10 April 2006, the Company and Wide Forest Limited, its wholly-owned subsidiary, entered into an acquisition agreement to acquire a 51% equity interest of Jaling Forest Industries Inc. ("Jaling"), a private company incorporated in Guyana, South America, for a consideration of HK$154 million. Jaling is principally engaged in logging and forest exploitation, operation and management. The Company intends to finance the acquisition by issue of new shares to the vendor as well as by way of internal resources and debt or equity financing. Details of the said acquisition have been disclosed by an announcement of the Company dated 20 April 2006. The acquisition constitutes a very substantial acquisition to the Company under the Listing Rules and will be subject to, and conditional on, among others, the approval of the shareholders of the Company. The Company will further despatch a circular to its shareholders as soon as practicable.

The Company also entered into an option agreement on 16 May 2006, pursuant to which the Company has been granted an option to purchase, within 5 years, a 51% shareholding of another forestry company engaging in logging and forest exploitation, operation and management in Guyana, at a total price of HK$60 million. Details of the said option agreement have been disclosed by an announcement of the Company dated 17 May 2006. It is the intention of the Company to exercise the said option to further expand its timber production capacity if the acquisition of Jaling is proven to be profitable.

Statement of the Chief Executive Officer

The aforesaid acquisitions, that the Company recently entered into, are intended to advance the business of the Company in the energy industry and natural resources market. With a clear focus on such sectors, the directors of the Company believe that the Company will be able to strengthen and expand the Group's earning base and asset quality.

Acknowledgements

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.

Tsang Kam Ching, David
Director and Chief Executive Officer

Hong Kong, 18 July 2006