

# Corporate Governance Report

Seapower Resources International Limited is committed to maintaining a high standard of corporate governance and devotes considerable effort to identifying and formalising best practices of corporate governance to enhance shareholder value and safe guarding shareholder interests. Save as disclosed hereinbelow, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the “CG Code”) contained in Appendix 14 of the Listing Rules for the year ended 31 March 2006.

## The Board of Directors

The Board is chaired by Mr. Fung Tsun Pong (the “Chairman”). As at the 31 March 2006, there are five directors of the Company (the “Director”), of which two are executive Directors, namely the Chairman and Mr. Tsang Kam Ching, David, the Chief Executive Officer (“CEO”) and three are independent non-executive Directors namely, Mr. Yip Tak On, Mr. Liu Ka Lim and Mr. Jing Baoli. Other details of the Directors are given on page 9 of this report.

The Board, led by the Chairman, formulates and approves overall strategic policies, the annual budgets, financial statements, dividend policy, significant changes in accounting policy, material contracts, major financing arrangements and risk management strategy; controls operating and financial performance; sets appropriate policies to manage risks; supervise the management and evaluates the performance of the Company. It is also responsible for presenting a balanced, clear and understandable assessment of any information contained in the Company’s accounts, announcements and other documents required to be published under the Listing Rules or other statutory requirements.

To ensure a balance of power and authority, the role of the Chairman is separate from that of the CEO. The CEO is responsible for the day-to-day management of the business of the Company. The Chairman provides leadership for the Board to ensure that the Board acts in the best interests of the Company and that Board meetings are planned and conducted effectively. The Chairman is also responsible for approving the agenda for each Board meeting, taking into account, where appropriate, matters proposed by Directors for inclusion in the agenda. With the support of the management, the Chairman seeks to ensure that agenda and all accompanying board papers are provided to all Directors in a timely manner. The Chairman also actively encourages Directors to make a full contribution and active participation in the Board’s affairs. The functions of the Board and the powers delegated to the CEO are reviewed periodically to ensure that they remain appropriate.

All Directors are provided upon reasonable request made to the Board with means, at the Company’s expense, to seek independent professional advice in furtherance of their duties if necessary. The independent non-executive Directors are high calibre executives or professionals with diversified industry expertise and serve the important function of providing a balance of skills and experience to the Board and safeguarding the interests of shareholders and the Company as a whole.

The Board regularly reviews its composition and structure to ensure its expertise and independence are attained and maintained. Any Director appointed by the Board to fill a casual vacancy is subject to election of shareholders at the first annual general meeting after his appointment and all Directors are subject to retirement by rotation and, being eligible, may offer themselves for re-election.

All Directors disclose to the Board on their first appointment their interests as director or otherwise in other companies or organisations and such declarations of interests are updated annually. When the Board considers that any Director is having a conflict of interest in a matter to be considered by the Board, the Board will request such Director to fully disclose and declare his interest and require him to abstain from voting.

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## The Board of Directors *(Continued)*

The Board has established the Remuneration Committee and the Audit Committee with the participation of all independent non-executive Directors. In addition, the Board has also adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders.

The Board of Directors held 9 meetings during the fiscal year and the attendance of Directors were set forth below:

	Name of Directors	Attended/ Eligible to attend
<b>Chairman</b>	Fung Tsun Pong	9/9
<b>Executive Directors</b>	Tsang Kam Ching, David	9/9
	Chan Chun Hing, Kenneth	6/8
	Zhao Ming	0/5
<b>Independent Non-executive Directors</b>	Yip Tak On	5/9
	Liu Ka Lim	4/9
	Jing Baoli	0/1
	Wang Ji Cheng	4/8

Both of Mr. Zhao Ming and Mr. Wang Ji Cheng reside permanently in the Mainland which is the main cause of their low attendance rate and resignation. Besides, Mr. Yip Tak On is the managing director of an accounting firm while Mr. Liu Ka Lim is the chairman of listed companies, both of whom have relatively low attendance rate due to time constraints.

In addition to the 9 ordinary Board meetings held during the fiscal year, the Board, held one regular board meeting with written notice of the meeting despatched to all Directors at least 14 days before the meeting and an agenda with all supporting documents no less than 3 days prior to the meeting. The regular board meeting has achieved active participation of all Directors. The Directors note that the CG Code requires the Board to hold at least four regular board meetings a year at approximately quarterly intervals. However, in view of the frequent board meetings held during the fiscal year, the scale and the relatively simple principal business structure of the Company, the Directors consider holding one regular Board meeting to be appropriate and cost effective.

## Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors (the “Securities Code”) on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 of the Listing Rules. A copy of the Securities Code is sent to each Director of the Company first on his appointment and thereafter twice annually, one month before the date of the board meeting to approve the Company’s interim and annual results, with a reminder that the Director cannot deal in the securities and derivatives of the Company until after the results announcement having been published.

Under the Securities Code, Directors of the Company are required to notify the Chairman and receive a dated written acknowledgement before dealing in any securities of the Company and, in the case of the Chairman himself, he must notify the board at a board meeting or alternatively, another executive director and receive a dated written acknowledgement before any dealing. The Company has made specific enquiries on Director’s dealings in the securities of the Company and all Directors have confirmed that they have complied with the required standard set out in the Securities Code throughout the year.

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## Securities Transactions *(Continued)*

Directors' interests as at 31 March 2006 in the shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) are set out on page 10.

## Remuneration Committee

The Remuneration Committee was set up on 26 September 2005 to determine policy on executive Directors and senior management's remuneration and fixing remuneration packages. The Committee comprises Mr. Tsang Kam Ching, David, an executive Director and all the three independent non-executive Directors. During the first meeting of the Committee held on the date of its establishment, the Committee has considered in detail the remuneration packages of staff of the Company at various levels, including executive Directors. In order to attract and retain staff of suitable calibre, the Company provides a competitive remuneration package which comprises salary, provident fund, leave passage and discretionary bonus. The remuneration policy has contributed considerably to the maintenance of a stable, motivated and high-calibre management team in the Company.

The remuneration policy and the levels of remuneration paid to executive Directors of the Company have been reviewed by the Remuneration Committee.

No Director takes part in any discussion about his own remuneration. The remuneration of independent non-executive Directors is determined by the Board in consideration of their responsibility involved. Each of the independent non-executive Directors are appointed for a fixed term of service except those appointed prior to the enforcement of the CG Code and entitled to an annual director's fee of HK\$120,000.

The Remuneration Committee held one meeting during this fiscal year, which was attended by all independent non-executive Directors.

## Audit Committee

The terms of reference of the Audit Committee was amended on 26 September 2005. The Audit Committee is responsible to the Board and consists of all the independent non-executive Directors from time to time. The current members are Mr. Yip Tak On, Mr. Liu Ka Lim and Mr. Jing Baoli. The Committee reviewed the completeness and accuracy of the Company's financial statements, annual reports and accounts and half-year reports and provided assurance to the Board that these comply with accounting policies, standards and practices, stock exchange and legal requirements. The Committee also reviewed the adequacy and effectiveness of the financial controls, internal control and risk management systems. It also made recommendation to the board of Directors on the appointment and removal of external auditors and their terms of engagement as well as monitor the external auditor's independence and effectiveness and recommended appropriate actions required.

The Audit Committee held two meetings during the fiscal year, the attendance of which was as follows: Yip Tak On (2/2), Liu Ka Lim (1/2), Wang Ji Cheng (2/2) and Jing Baoli (0/0).

## Internal Control

The Board is responsible for the system of internal control and for reviewing its effectiveness. During this fiscal year, the Directors have conducted a review on the effectiveness of the system of internal control of the Company, including but not limited to, financial, operational and compliance controls and risk management functions, and considered that the internal control systems effective and adequate and the Company has complied with the code provisions on internal control of the CG Code in view of the business nature and the management structure of the Company.

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## Internal Control *(Continued)*

Detailed control guidelines have been set and made available to all employees of the Company regarding handling and dissemination of price sensitive information.

Systems and procedures are in place to identify, control and report on major risks, including business, legal, financial, and reputational risks. Exposures to these risks are monitored by the Board with the assistance of its external professional advisers.

## External Auditors

The external auditors are primarily responsible for auditing and reporting on the annual financial statements. In this fiscal year, the total remuneration paid to the external auditors was HK\$330,000.00 for audit service and advice.

## Investor Relations

The Company continues to enhance relationships and communication with its investors. Extensive information about the Company's performance and activities is provided in its Annual Report and Interim Report which are sent to shareholders during the relevant period.

All shareholders are encouraged to attend any annual general meeting to discuss matters relating to the Company. Any inquiries from shareholders can be addressed to the Board.

Shareholders may request an extraordinary general meeting to be convened in accordance with Article 73 of the Articles of Association of the Company, which provides that members holding at the date of deposit of the requisition not less than one-twentieth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. If the Directors do not within twenty-one day from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionists themselves may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors shall be reimbursed to them by the Company.