

## RESULTS FOR THE YEAR

The US economy, acting as the global economic indicator, slowed down with weakened consumer sentiment during the year under review. Hong Kong economy, especially the export, trading and retail industry, was correspondingly affected by such decline. Despite this, the Group managed to minimize the adverse effects by virtue of its solid experience in the industry and flexible marketing strategies. The Group's turnover was HK\$201,110,000 (2000: HK\$300,259,000) for the financial year ended 31st March, 2001. During the financial year, the Group continued to dispose non-core businesses and assets and manage the businesses with prudent measures in response to the challenging market conditions. The Group made a net loss for the year ended 31st March, 2001 of HK\$239,054,000 (2000: HK\$161,474,000).

## OPERATIONS REVIEW

The unique business model of the Group was endorsed by its strategic alliances worldwide. They also see the need for a nerve centre to link two of the world's largest and powerful markets, namely, United States and the People's Republic of China ("PRC"). The Group's connection and experience in the PRC market make the Group the most qualified entity to perform a nerve centre role for the climate controlled products industry between these two important markets. The unique business model of the Group is as follows:

### 1. *Global Supply Chain Management*

With the Group's 20 years experience in cold storage and warehousing, it has accumulated significant expertise in handling and earned the trust from international clients. As a logical extension of its business, the Group has allocated appropriate resources in building up the physical and IT infrastructure to provide a global supply chain management solution for such international traders and manufacturers of climate controlled products since late 1999. The objective is to assist the Group's customers to replenish their stocks, identify new and cheaper sources worldwide, both online and offline. To streamline the operation, a separate business unit was set up to house all IT systems, global alliances and ancillary business services so that the Group's customers need only a single point of contact to reach a wide variety of services and markets.

This strategy was proved to be correct as in October 2000, the Group and AmeriCold Logistics, LLC ("AmeriCold") signed an agreement for the formation of a strategic alliance with the intention to provide a door-to-door fulfillment service to their respective clients. AmeriCold is the largest provider of refrigerated and frozen distribution services in the United States. It has refrigerated capacity of over 500 million cubic feet and operates 106 temperature-controlled facilities. AmeriCold transportation services manage over 7.5 billion pounds of refrigerated and frozen freight per year.

As a result of AmeriCold's joining the Group strategic alliance network, the Group now has over 160 cold storage and logistics alliances in the world and it is the largest climate controlled products fulfillment network in the globe in terms of total storage capacity and throughput. The Group's global reach now covers USA, the PRC, Taiwan, Hong Kong, Australia, New Zealand, South Korea, Singapore, Malaysia, Indonesia and United Kingdom. The new initiative will enable the Group's customers to expand their market coverage without investment. More importantly, this network allows the Group's customers immediate access to two of the world's largest markets: USA and the PRC.

In early 2001, in collaboration with the Hong Kong University of Science and Technology and the Stanford University, the Group had committed appropriate resources to study the opportunities and pitfalls in conducting global supply chain management for its clients, especially between USA and the PRC. The findings were very encouraging and insightful and had been used as a blueprint to develop the Group's strategy in marketing and devising tailor-made logistics and supply chain management solutions to its clients and potential clients.

## 2. *China Operations*

As an integral part of the Group's Global Supply Chain Management initiatives, the Group has also set up a special team in developing the infrastructure and network in the PRC. The Board is pleased to announce that as of the date of this report, the Group has over 45 cold storage and logistics alliances in the PRC. With this critical mass in place, the Group is now in a better position to provide imports consultancy, trading and marketing services, door-to-door logistics management services for foreign based manufacturers, traders, distributors, retailers, supermarket chain operators, fast food chain operators and importers. The network and infrastructure can also be used by the PRC companies to export their climate controlled products to the outside world.

In early December 2000, the Group signed a formal joint venture agreement with Guangzhou Ershang Trade Development Company ("Guangzhou Ershang"), a wholly owned subsidiary of Guangzhou Municipal Government's Business Bureau of the PRC, to develop cold storage warehousing, logistics management and related e-commerce businesses in Guangdong Province of the PRC. This marked an important step forward for the Group to penetrate the fast growing and export-dominated Southern China market and pave the way for higher growth when the PRC is admitted to the World Trade Organization.

Via affiliated companies and partners, the Group was also involved in logistics consultancy services to assist some of the supermarkets and fast food chains in the PRC in solving their supply chain or logistics problems. During the financial year, the Group continued to beef up the China team and was also actively involved in developing tailor-made logistics solution to some of the multinational companies which are interested to extend or expand their market share in the PRC including devising strategy to develop distribution centres and other facilities, vendors inventory management and regional delivery services.

### 3. *Nerve Centre for Climate Controlled Products*

To link up two of the world largest markets (USA and the PRC), the Group had built a business-to-business platform [www.iPowerB2B.com](http://www.iPowerB2B.com) during the financial year to facilitate communication, develop cross fertilization opportunities and friendship among the 160 alliances worldwide and assist the Group's customers to reach new markets and new products. At the same time, the Group's own proprietary Warehouse Management System ("WMS") was web-enabled during the year. Customers and alliances of the Group can now access to the WMS to order warehousing services, check their own inventory, do transfers, book delivery and other tasks anytime anywhere via the Internet. The ultimate objective is to build a nerve centre or e-Hub for climate controlled products in Asia to link the PRC with the rest of the world as Hong Kong is well positioned and in fact the largest gateway to the vast and fast growing PRC market. In addition, the Group had recruited appropriate staff to explore ERP, CRM, bar-coding and other IT/information technology initiatives with a view to improve its competitive advantages and operation efficiency among its various warehousing facilities, business partners and customers under the new economy.

### 4. *Cold Storage & Warehousing*

This division has been providing specialized storage services for climate controlled products for about 20 years to importers, traders, wholesalers and manufacturers/processors. Climate controlled products cover a wide variety of basic necessities such as frozen meats, fresh fruits, cigarettes and wines, films and pharmaceutical products. During the financial year, this division had undergone a series of rationalization exercises including upgrading its information technology systems and focusing on higher margin accounts in order to provide better return to our shareholders and more dedicated services to our customers.



*Seapower Resources  
Cold Storage*

**5. *Logistics Management Services***

Leveraging the success of our Cold Storage Division, the Group managed to create this new Logistics Management Services division with relatively small investment. During the financial year, this division had substantially beefed up its manpower, equipment, trucks and capabilities. It managed to provide daily distribution service to most dry seafood traders, certain catering outlets, hotels, supermarkets and fast food chains in Hong Kong.

**6. *Properties & Financial Services***

During the financial year, the remaining units of Seapower Centre and Silver Fortune Plaza continued to generate recurring rental income for the Company.

During the financial year, the Group had exercised its option on 7 securities and 1 futures broker seats retained by the Group in the disposal of its securities and futures operations to an independent third party. As part of this option arrangement, the Group held a minority stake in The Hong Kong Exchanges and Clearing Limited ("HKEX"). The HKEX was subsequently listed in June 2000 and the Group managed to generate substantial capital gain by disposing of some of the shares in HKEX.

**7. *Ice Manufacturing and Distribution***

To focus on logistics business, the Group continued to sell the ice products(both industrial and catering ice) manufactured by its ice manufacturing plants to wholesalers to generate recurring income.

## **PROSPECTS AND OUTLOOK**

According to the PRC's Tenth Five-Year Plan, the economy is expected to grow at an average annual rate of about 7% over the next five years (first-half of 2001 GDP was up 7.9% year-to-year). On the back of such economic growth, coupled with the business opportunities that will arise from the PRC's imminent entry to the WTO and Beijing's hosting the Olympics in 2008, the long-term economic prospects for Hong Kong, being an important gateway to the PRC, are optimistic .

The wholesale commercialization of the Internet during the last two years has effectively removed boundaries between countries. This has a profound effect on the supply chain of various businesses. The Group's strategic move to create a global supply chain management division, China business focus team, e-Hub and logistics management services for climate controlled products around its Cold Storage & Warehousing business proves to be timely and correct. The Group's competitive advantages are further enhanced by such strategy as evidenced by the growth in the number and scope of the Group's strategic alliances both overseas and in the PRC.

The PRC is identified to be the key growth driver for the Group. In order to increase the coverage and services in the PRC market, the Group has also realigned resources strategically to build up more partnerships or co-operations there. This will bring about significant synergies to the Group and further enhance its competitiveness in the crucial markets.

Apart from the above, the Group has also planned to take several measures to improve its cash flow and profitability, including (1) adopting a sector-focus policy in developing the Cold Storage & Warehousing business; (2) leveraging the Group's previous business experience and connections in the PRC to develop the China logistics business; (3) developing the Global Supply Chain Management and e-Hub business with great care to avoid disproportionate capital commitment; (4) fully capitalize on the Group's expertise and experience in the Cold Storage & Warehousing business for the development of value-added logistics management services; and (5) leveraging the Group's connection to the academic world and applying for government funding (both Hong Kong and Australia as the Group has operations in Australia) to develop its IT/information technology initiatives as much as possible.

The Group will continue to build sensible and logistical businesses around its core business of Cold Storage & Warehousing, driving for maximum operational efficiencies and slashing unnecessary overhead. In doing so, new management installed two years ago will use their best endeavours to rebuild value and improve bottom-line in the years ahead.

## EMPLOYEES

As at 31st March 2001, the Group has approximately 350 employees in Hong Kong, elsewhere in the PRC and Australia. 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.

## LIQUIDITY AND CAPITAL RESOURCES

The Group's current assets and current liabilities were approximately HK\$76 million and HK\$1,343 million respectively as at 31st March, 2001.

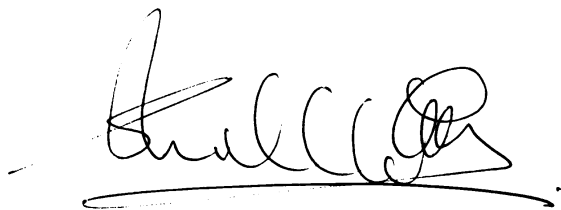
## TREASURY POLICIES

The Group's borrowings are mainly in Hong Kong dollars and on floating rate basis. When market conditions are favorable, hedging instruments may be used to manage the Group's interest rate exposure.

## APPRECIATION

On behalf of Shareholders and Directors, I wish to record my heartfelt thanks to the Group's management and staff for their contribution. I would also like to express appreciation to our customers, suppliers, bankers and shareholders for their continuous support.

By order of the Board



**Shirley Choi Siu Lui**

*Chairman*

Hong Kong, 26th July, 2001