

OPERATING RESULTS FOR THE PERIOD

The Group recorded an unaudited consolidated turnover and net loss of HK\$1,379,000 (for the six months ended 30th September, 2000: HK\$2,750,000) and HK\$109,190,000 (for the six months ended 30th September, 2000: HK\$133,924,000) respectively for the six months ended 30th September 2001.

OPERATIONS REVIEW

A. Seapower Resources International Limited (“SRI”) Group

SRI was a 27.54% owned associate of the Company during the period under review.

1. Global Supply Chain Management

As of the date of this announcement, SRI Group has over 160 cold storage strategic alliances in the world. It is the largest climate-controlled cargoes fulfillment network in the world, covering USA, United Kingdom, the People’s Republic of China (the “PRC”), Taiwan, Hong Kong, Australia, New Zealand, South Korea, Singapore, Malaysia and Indonesia. This network enables SRI Group’s customers to meet their global logistics requirements through a one-stop fulfillment centre.

During the period under review, SRI Group had been working closely with members of the alliance to provide total logistics solutions for some of the multinational companies and supermarket chains.

2. China Operations

To reinforce the Global Supply Chain Management Business, SRI Group had further developed the infrastructure and network in the PRC during the period under review. The Directors are pleased to announce that SRI Group has over 48 cold storage and logistics alliances in the PRC as of the date of this announcement. Together, SRI Group and the alliances in the PRC can provide a door-to-door logistics management services for foreign based manufacturers, traders, distributors, retailers, supermarket chain operators, fast food chain operators and importers.

3. Cold Storage & Warehousing

The Cold Storage & Warehousing Division was affected by stiff competition and deflationary pressure. The Division had taken appropriate steps to stay competitive, including upgrading its information technology systems and developing some add-value services such as packaging service to clients. The Division is also considering various alternatives to develop the cold storage business in the PRC.

4. Logistics Management Services

There was a gradual increase in demand for SRI Group's logistics management services. The PRC has recently entered into the World Trade Organization ("WTO"). Most multinational companies want to sell their products to the PRC and/or increase their market share there. Along with the sales channel, they want to establish an effective supply chain as well. Whilst some companies will continue to handle most of this process internally, many appreciate the role that can be played by a third party logistics service provider like SRI Group. During the period under review, SRI Group had beefed up the manpower and system for this business and is now in a better position to cope with the increase in demand for such services.

5. Properties

During the period under review, SRI Group had disposed of the remaining units of Seapower Centre. Subsequent to the period under review, an offer to purchase was executed for the disposal of certain investment and leasehold properties of SRI Group in Hong Kong.

6. Ice Manufacturing

SRI Group continues to maintain its ice manufacturing plants (both industrial and catering ice) and sells the products to wholesalers to generate recurring income.

B. Fleet Management

As reported in its last Annual Report, the Group had taken action to re-engineer its Fleet Management business and improve its efficiency. In addition, with over 20 years of operational experience in the car-rental business and the substantial expertise and clientele, this division continued to generate a small positive cashflow from its operation.

C. Disposal of Non-core Properties

During the period under review, the Group has disposed of its non-core properties to reduce the gearing.

FINANCIAL RESOURCES AND TREASURY POLICIES

As at 30th September, 2001, the Group has total bank and other borrowings of HK\$531 million which are in either Hong Kong dollars or United States dollars. When market conditions are favourable, hedging instruments may be used to manage the Group's interest rate exposure.

PROSPECTS AND OUTLOOK

The Company has conducted a reduction of capital by canceling HK\$0.09 per share paid up capital so that the nominal value of each share is reduced from HK\$0.10 to HK\$0.01. The reduction took effect on 11th December, 2001, the date upon which all conditions had been fulfilled.

Over the past 20 years, the Cold Storage & Warehousing operation of SRI Group has established a good reputation as a market leader in Hong Kong. It is less sensitive to economic downturn and has continued to provide a steady revenue to SRI Group. Immense business opportunities for the Cold Storage & Warehousing Division would be resulted when the PRC implements her promises under the terms and conditions for her admission to the WTO.

Recently, the Hong Kong Special Administrative Region government has announced her commitment to develop Hong Kong into a regional logistic center by setting up a Logistics Development Council. SRI Group's Logistics Management Services business will benefit from this new development. Through economy of scale and knowledge with the various operators in the transport and logistic industry, the Logistics Management Services business has already commanded the support of some of the key supermarkets and wholesalers. Further resources will be allocated to this business to cater for the demand in such service.

With over 160 strategic alliances network worldwide, SRI Group is well equipped to develop new business as the economic recovery gathers pace.

The Group will continue to exercise tight operations and cost controls with prudent financial planning while maintaining or improving customer satisfaction. The Directors are confident that SRI Group will remain one of the strong market leaders and niche players in its core business. As the USA and Asian economies stabilize, the Group will continue to look for opportunities for expansion.

EMPLOYEES

The Group including SRI Group had approximately 320 employees in Hong Kong, elsewhere in China and Australia as at 30th September, 2001. 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 Company has also adopted a Share Option Scheme for Employees on 30th September, 1999, details of which were given in the last Annual Report of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting policies

The condensed consolidated financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, land and buildings and certain investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31st March, 2001, except for the following.

In the current period, the Group had adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants. The SSAP that has an impact on the condensed consolidated financial statements is the new SSAP 30 "Business combinations".

Pursuant to the transitional provisions set out in SSAP 30, the Group has elected not to restate goodwill or negative goodwill previously eliminated against or credited, respectively, to reserves. Accordingly, goodwill arising on acquisitions prior to 1st April, 2001 continues to be held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate at such time as impairment losses are identified. Negative goodwill arising on acquisition prior to 1st April, 2001 continues to be held in reserves and will be credited to the income statement at the time of disposal of the relevant subsidiary or associate.

Goodwill arising on acquisitions after 1st April, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisition after 1st April, 2001 is presented as a deduction from assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted.