

## OPERATING RESULTS FOR THE PERIOD

The Group recorded an unaudited consolidated turnover and net loss of HK\$94,033,000 (for the six months ended 30th September, 2000: HK\$113,806,000) and HK\$111,025,000 (for the six months ended 30th September, 2000: HK\$51,863,000) respectively for the six months ended 30th September 2001.

## OPERATIONS REVIEW

### 1. Global Supply Chain Management

As of the date of this announcement, the 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, China, Taiwan, Hong Kong, Australia, New Zealand, South Korea, Singapore, Malaysia and Indonesia. This network enables the Group's customers to meet their global logistics requirements through a one-stop fulfillment centre.

During the period under review, the 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, the Group had further developed the infrastructure and network in China during the period under review. The Directors are pleased to announce that the Group has over 48 cold storage and logistics alliances in China as of the date of this announcement. Together, the Group and the alliances in China 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 China.

#### **4. Logistics Management Services**

There was a gradual increase in demand for the Group's logistics management services. China has recently entered into the World Trade Organization ("WTO"). Most multinational companies want to sell their products to China 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 Seapower. During the period under review, the 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, the Group had disposed of the remaining units of Seapower Centre. Subsequent to the period under review, an offer to purchase was executed by the mortgage bank for the disposal of certain investment and leasehold properties in Hong Kong.

#### **6. Ice Manufacturing**

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

### **FINANCIAL RESOURCES AND TREASURY POLICIES**

As at 30th September, 2001, the Group's net asset value was HK\$247.7 million with total assets over HK\$1,558 million and total bank and other borrowings amounting to HK\$1,184 million. At the balance sheet date, the gearing ratio, based on the total bank and other borrowings to the shareholders' equity, was 4.77 (31st March, 2001: 3.54).

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

## PROSPECTS AND OUTLOOK

The Company proposed to reduce its capital by cancelling HK\$0.04 per share paid up capital so that the nominal value of each share is reduced from HK\$0.05 to HK\$0.01. The proposal is expected to take effect on 15th January, 2002 after the hearing of the petition by the Grand Court of the Cayman Islands on 11 January, 2002.

Over the past 20 years, the Cold Storage & Warehousing operation 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 the Group. Immense business opportunities for the Cold Storage & Warehousing Division would be resulted when China 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. The 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, the 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 the 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 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.