

Group Results

The Board of Directors of Safety Godown Company, Limited are pleased to announce that the Group recorded moderate earnings growth in the half year ended 30 September 2002. The unaudited consolidated profit for the period attributable to shareholders was approximately HK\$23,837,000, which represents an increase of 19.07% against the last corresponding period. Earnings per share for the period were HK17.7 cents (2001: HK14.8 cents).

Business Review

Over the past year, the global economy has remained gloomy and economic restructuring has been expedited in Hong Kong. The vicious interaction between unemployment and long-term deflation, together with reduced sourcing of goods due to the rapid development of mainland ports, resulted in a continuous drop in demand for warehousing. In order to relieve the pressure on the godown business, and in view of the diminished usage of godown facilities, the Group has leased out some of its godown areas on a fixed-lease basis to increase sources of income.

Since office space leasing has been weak, with rents constantly falling, and given that there has been more supply than demand due to completion of more and more commercial buildings, the letting rate for Lu Plaza, the Group's investment property, has dropped slightly. Rents have therefore been adjusted accordingly and as a result rental income has been slightly affected.

Prospects

In the second half of the year, though the business environment improves slightly, basic uncertainties have not yet been eliminated. The political and economic climate remains unstable around the world, undermining investor confidence. Under such circumstances, there is little chance of a breakthrough for the godown business. The Group has already reduced its godown areas and increased its fixed rental income. At the same time, we have cut back our operational expenses and lowered business costs with satisfactory results. We can therefore expect to maintain our overall level of business and survive the harsh economic environment ahead.

Adversely affected by the global economic climate, it is expected that leasing activity on Lu Plaza will tend to be quiet in the second half of the year. The Group will continue to take a proactive role in further developing the leasing business and striving for a higher letting rate to maintain stable rental income.

Closure of Members Register

The Register of Members of the Company will be closed from 13 January 2003 to 17 January 2003, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on 10 January 2003.

Directors' Interest in Shares

As at 30 September 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

| Name of director | Number of ordinary shares held | | | | Total |
|-------------------------|--------------------------------|------------------|---------------------|-----------------|------------|
| | Personal interests | Family interests | Corporate interests | Other interests | |
| Mr. Lu Sin | 4,400,000 | 2,589,500 | 57,553,445 (Note) | – | 64,542,945 |
| Mr. Lui Chi Lung | 947,884 | – | – | – | 947,884 |
| Mr. Wong Ker Lee | 1,812,000 | – | – | – | 1,812,000 |
| Mr. Gan Khai Choon | – | – | – | – | – |
| Mr. Lu Yong Lee | – | – | – | – | – |
| Mr. Lee Ka Sze, Carmelo | – | – | – | – | – |

Note: Including 47,203,445 shares held by Kian Nan Financial Limited as mentioned in substantial shareholders' interests below and 10,350,000 shares held by Earngold Limited in which Mr. Lu Sin has a controlling interest.

Other than as disclosed above, none of the directors or chief executives of the Company, nor their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives of the Company, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the half year.

Directors' Rights to Acquire Shares or Debentures

At no time during the half year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

As at 30 September 2002, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed above in respect of certain directors, the following shareholders had an interest in 10 percent or more in the issued share capital of the Company:

| Substantial Shareholders | Number of ordinary shares held | |
|----------------------------|--------------------------------|-------------------|
| | Direct interest | Indirect interest |
| Kian Nan Financial Limited | 47,203,445 | – |
| Eaver Company Limited | 2,007,628 | 47,203,445 (Note) |
| Lusin And Company Limited | – | 47,203,445 (Note) |

Note: All indirect interests duplicate the direct interests attributable to Kian Nan Financial Limited and arise by virtue of the direct interests of Eaver Company Limited and Lusin And Company Limited in Kian Nan Financial Limited such that Eaver Company Limited and Lusin And Company Limited are deemed to have an interest in such 47,203,445 ordinary shares under Section 8 of the SDI Ordinance.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more in the issued share capital as at 30 September 2002.

Management Discussion and Analysis

Financial Review

During the six months ended 30 September 2002, the godown business has been facing increasing pressure with declining volumes. Income from godown operation dropped 34.5% from the same period last year to HK\$14.2 million. The Group has, however, adopted strategies to reposition part of the godown premises to investment properties. Income from property investment increased by 16.4% during the interim period to HK\$27.4 million. Profit contribution from these two main operations reported an increase of 5% against the last period as a result of the effective measures taken in tightening cost control.

Financial Resources and Liquidity

The key financial figures of the Group continued to improve. As compared with the balances at 31 March 2002, the total amount of current assets as at 30 September 2002 increased by 7.9% to approximately HK\$72.3 million, of which HK\$46.2 million were bank balances and pledged bank deposits, while the total amount of liabilities decreased by 7.9%. Bank borrowings have dropped by HK\$14.9 million to HK\$93.1 million. Committed banking facilities available to the Group, but not yet drawn as at 30 September 2002, amounted to HK\$66.9 million.

The Group adopts a conservative treasury policies in cash and financial management. As at 30 September 2002, the Group maintained a low gearing ratio at 11.25% (31.3.2002:13.68%), based on its total bank borrowings of HK\$93.1 million (31.3.2002: HK\$108 million) and total shareholders' funds of HK\$827.5 million (31.3.2002: HK\$788.9 million).

Pledge on Group Assets

The Company's bank deposits of HK\$30 million were pledged to secure a short-term bank loan of HK\$30 million, and the Group's investment properties and property, plant and equipment, with an aggregate book value of HK\$744 million and HK\$6.2 million respectively, were mortgaged or pledged to secure banking facilities of HK\$109 million granted to the Group.

Employees

The Group employs 87 employees. Total staff cost for the period under review (excluding directors' emoluments) amounted to approximately HK\$9.2 million, which represents a significant reduction of 20.5% against last corresponding period. The dedication and hard work of the Group's staff during the period is greatly appreciated and recognised.

The Group recognises the importance of training to its staff. In addition to on-the-job training, the Group provides internal and external training for its staff.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period under review.

Code of Best Practice

None of the Directors of the Company is aware of any information that would reasonably indicate that the Company is not, or was not, for any part of the six months ended 30 September 2002, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

By Order of the Board

Lu Sin
Chairman

Hong Kong, 20 December 2002

Independent Review Report

德勤·關黃陳方會計師行

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**Deloitte
Touche
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To the Board of Directors of
Safety Godown Company, Limited
(incorporated in Hong Kong with limited liability)

Introduction

We have been instructed by the Company to review the interim financial report set out on pages 7 to 16.

Directors' responsibilities

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice No. 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the management of the Company and its subsidiaries and applying analytical procedures to the interim financial report and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended 30 September 2002.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 20 December 2002

Condensed Consolidated Income Statement

For the six months ended 30 September 2002

| | Notes | Six months ended | |
|---|-------|--------------------------------------|--------------------------------------|
| | | 30.9.2002 (unaudited) HK\$'000 | 30.9.2001 (unaudited) HK\$'000 |
| Turnover | 3 | 41,638 | 45,254 |
| Other operating income | 4 | 2,899 | 3,127 |
| Staff costs | | (9,201) | (11,571) |
| Depreciation | | (2,900) | (2,728) |
| Net unrealised loss on trading securities | | (698) | (115) |
| Loss on disposal of trading securities | | – | (16) |
| Loss on disposal of other securities | | (35) | – |
| Other operating expenses | | (5,779) | (8,142) |
| Profit from operations | | 25,924 | 25,809 |
| Finance costs | | (1,317) | (3,130) |
| Profit before taxation | | 24,607 | 22,679 |
| Taxation | 5 | (770) | (2,660) |
| Net profit for the period | | <u>23,837</u> | <u>20,019</u> |
| Dividend | 6 | <u>5,400</u> | <u>6,750</u> |
| Earnings per share | 7 | <u>17.7 cents</u> | <u>14.8 cents</u> |

Condensed Consolidated Balance Sheet

At 30 September 2002

| | | 30.9.2002 (unaudited) HK\$'000 | 31.3.2002 (audited) HK\$'000 |
|---------------------------------------|-------|--------------------------------------|------------------------------------|
| | Notes | | |
| Non-current assets | | | |
| Investment properties | 8 | 832,100 | 763,600 |
| Property, plant and equipment | 9 | 49,226 | 86,537 |
| Investments in securities | | 13,019 | 22,856 |
| | | <u>894,345</u> | <u>872,993</u> |
| Current assets | | | |
| Trade and other receivables | 10 | 10,395 | 8,199 |
| Investments in securities | | 11,191 | 9,123 |
| Taxation recoverable | | 4,490 | 3,716 |
| Pledged bank deposits | | 30,000 | 30,000 |
| Bank balances and cash | | 16,223 | 15,966 |
| | | <u>72,299</u> | <u>67,004</u> |
| Current liabilities | | | |
| Other payables | | 42,189 | 39,632 |
| Taxation payable | | 505 | 107 |
| Bank borrowings – due within one year | | 83,118 | 87,991 |
| | | <u>125,812</u> | <u>127,730</u> |
| Net current liabilities | | | |
| | | <u>(53,513)</u> | <u>(60,726)</u> |
| Capital and reserves | | | |
| Share capital | | 135,000 | 135,000 |
| Reserves | | 692,493 | 653,928 |
| | | <u>827,493</u> | <u>788,928</u> |
| Non-current liabilities | | | |
| Bank borrowings – due after one year | | 10,000 | 20,000 |
| Deferred taxation | | 3,339 | 3,339 |
| | | <u>13,339</u> | <u>23,339</u> |
| | | <u>840,832</u> | <u>812,267</u> |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2002

| | Share capital HK\$'000 | Share premium HK\$'000 | Investment property revaluation | | Translation reserve HK\$'000 | Retained profits HK\$'000 | Total HK\$'000 |
|---|---------------------------|---------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|-------------------|
| | | | revaluation reserve HK\$'000 | revaluation reserve HK\$'000 | | | |
| At 1 April 2001 | 135,000 | 43,216 | 143,740 | (17,570) | 42 | 431,697 | 736,125 |
| Revaluation decrease on investments in securities not recognised in the condensed consolidated income statement | - | - | - | (1,685) | - | - | (1,685) |
| Profit for the period | - | - | - | - | - | 20,019 | 20,019 |
| Dividend paid | - | - | - | - | - | (9,450) | (9,450) |
| At 30 September 2001 | 135,000 | 43,216 | 143,740 | (19,255) | 42 | 442,266 | 745,009 |
| Revaluation increase on investment properties | - | - | 29,278 | - | - | - | 29,278 |
| Revaluation decrease on investments in securities | - | - | - | (3,829) | - | - | (3,829) |
| Net gains (losses) not recognised in the condensed consolidated income statement | - | - | 29,278 | (3,829) | - | - | 25,449 |
| Profit for the period | - | - | - | - | - | 25,220 | 25,220 |
| Dividend paid | - | - | - | - | - | (6,750) | (6,750) |
| At 31 March 2002 | 135,000 | 43,216 | 173,018 | (23,084) | 42 | 460,736 | 788,928 |
| Revaluation increase on investment properties | - | - | 32,630 | - | - | - | 32,630 |
| Revaluation decrease on investments in securities | - | - | - | (9,802) | - | - | (9,802) |
| Net gains (losses) not recognised in the condensed consolidated income statement | - | - | 32,630 | (9,802) | - | - | 22,828 |
| Profit for the period | - | - | - | - | - | 23,837 | 23,837 |
| Dividend paid | - | - | - | - | - | (8,100) | (8,100) |
| At 30 September 2002 | 135,000 | 43,216 | 205,648 | (32,886) | 42 | 476,473 | 827,493 |

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2002

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30.9.2002 | 30.9.2001 |
| | <i>(unaudited)</i> | <i>(unaudited)</i> |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Net cash from operating activities | 26,776 | 29,364 |
| Net cash (used in) from investing activities | (3,546) | 4,266 |
| Net cash used in financing activities | (23,600) | (32,950) |
| Net (decrease) increase in cash and cash equivalents | (370) | 680 |
| Cash and cash equivalents at beginning of the period | 11,975 | 13,834 |
| Cash and cash equivalents at end of the period | 11,605 | 14,514 |
| Analysis of the balances of cash and cash equivalents | | |
| Cash and cash equivalents as previously reported | | (52,986) |
| Effect of reclassification of bank loans | | 67,500 |
| Cash and cash equivalents as restated | | 14,514 |
| Being: | | |
| Bank balances and cash | 16,223 | 16,145 |
| Bank overdrafts | (4,618) | (1,631) |
| | 11,605 | 14,514 |

Notes to the Condensed Financial Statements

For the six months ended 30 September 2002

1. Basis of Preparation

The condensed financial statements have been prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) No. 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Significant Accounting Policies

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

The accounting policies adopted for the preparation of the interim financial report are consistent with those adopted by the Group in its annual financial statements for the year ended 31 March 2002, except as described below.

In the current period, the Group has adopted, for the first time, the following new and revised SSAPs:

| | |
|-------------------|--------------------------------------|
| SSAP 1 (Revised) | Presentation of financial statements |
| SSAP 11 (Revised) | Foreign currency translation |
| SSAP 15 (Revised) | Cash flow statements |
| SSAP 34 | Employee benefits |

The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, but has had no significant effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

3. Segment Information

By Business Segments:

The Group is primarily engaged in godown operation and property investment. Segment information based on these two divisions is presented below:

For the six months ended 30 September 2002

| | Godown operation | Property investment | Elimina- tions | Con- solidated |
|---|-----------------------------|--------------------------------|---------------------------|---------------------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| REVENUE | | | | |
| External income | 14,219 | 27,419 | – | 41,638 |
| Inter-segment income | – | 2,538 | (2,538) | – |
| Total revenue | <u>14,219</u> | <u>29,957</u> | <u>(2,538)</u> | <u>41,638</u> |
| SEGMENT RESULT | | | | |
| | <u>1,070</u> | <u>23,569</u> | <u>–</u> | 24,639 |
| Bank interest income | | | | 372 |
| Dividend income from investments in securities | | | | 1,646 |
| Net unrealised loss on trading securities | | | | (698) |
| Loss on disposal of other securities | | | | (35) |
| Profit from operations | | | | <u>25,924</u> |

For the six months ended 30 September 2001

| | Godown operation <i>HK\$'000</i> | Property investment <i>HK\$'000</i> | Elimina- tions <i>HK\$'000</i> | Con- solidated <i>HK\$'000</i> |
|---|--|---|--------------------------------------|--------------------------------------|
| REVENUE | | | | |
| External income | 21,700 | 23,554 | – | 45,254 |
| Inter-segment income | – | 3,558 | (3,558) | – |
| Total revenue | <u>21,700</u> | <u>27,112</u> | <u>(3,558)</u> | <u>45,254</u> |
| SEGMENT RESULT | <u>1,810</u> | <u>21,663</u> | <u>–</u> | 23,473 |
| Bank interest income | | | | 879 |
| Dividend income from investments in securities | | | | 1,588 |
| Net unrealised loss on trading securities | | | | (115) |
| Loss on disposal of trading securities | | | | <u>(16)</u> |
| Profit from operations | | | | <u>25,809</u> |

4. Other Operating Income

Included in other operating income are as follows:

| | Six months ended | |
|--|------------------------------|------------------------------|
| | 30.9.2002 <i>HK\$'000</i> | 30.9.2001 <i>HK\$'000</i> |
| Bank interest income | 372 | 879 |
| Dividend income from investments in securities | <u>1,646</u> | <u>1,588</u> |

5. Taxation

The amount represents Hong Kong Profits Tax calculated at 16% on the estimated assessable profits for the period.

6. Dividend

| | Six months ended | |
|---|------------------|--------------|
| | 30.9.2002 | 30.9.2001 |
| | HK\$'000 | HK\$'000 |
| Interim dividend proposed: HK4 cents (30.9.2001: HK5 cents) per ordinary share | <u>5,400</u> | <u>6,750</u> |

The directors have determined that an interim dividend of HK4 cents per share (six months ended 30.9.2001: HK5 cents) should be paid to the shareholders of the Company, whose names appear in the register of members on 17 January 2003.

During the period, final dividend of HK6 cents (2001: HK7 cents) per ordinary share amounting to HK\$8,100,000 (2001: HK\$9,450,000) for the year ended 31 March 2002 was paid to the shareholders.

7. Earnings Per Share

The calculation of earnings per share is based on the profit for the period of HK\$23,837,000 (six months ended 30.9.2001: HK\$20,019,000) and on 135,000,000 shares (six months ended 30.9.2001: 135,000,000 shares) in issue during the period.

8. Investment Properties

| | HK\$'000 |
|---|----------------|
| At 1 April 2002 | 763,600 |
| Transfer from property, plant and equipment | 35,870 |
| Revaluation increase | <u>32,630</u> |
| At 30 September 2002 | <u>832,100</u> |

During the period, certain godown premises with carrying value of HK\$35,870,000 were reclassified as investment properties and were revalued by the directors by reference to the market value as at 30 September 2002. The resulting revaluation increase amounting to HK\$32,630,000 has been credited directly to the investment property revaluation reserve.

The directors have also considered that the value of other investment properties as at 30 September 2002 would not differ significantly from the professional valuation made as at 31 March 2002 and, accordingly, no revaluation increase or decrease has been recognised in the current period.

9. Property, Plant and Equipment

| | Godown premises in Hong Kong under long leases HK\$'000 | Godown premises in Hong Kong under medium- term leases HK\$'000 | Office premises in Mainland China under medium-term land use right HK\$'000 | Furniture, fixtures and equipment HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|--------------------------------------|--|---|---|--|-------------------------------|-------------------|
| COST | | | | | | |
| At 1 April 2002 | 140,113 | 32,975 | 1,668 | 17,415 | 3,146 | 195,317 |
| Additions | - | - | - | 1,459 | - | 1,459 |
| Transfer to investment properties | (65,615) | - | - | (847) | - | (66,462) |
| At 30 September 2002 | <u>74,498</u> | <u>32,975</u> | <u>1,668</u> | <u>18,027</u> | <u>3,146</u> | <u>130,314</u> |
| DEPRECIATION | | | | | | |
| At 1 April 2002 | 63,472 | 25,629 | 364 | 16,169 | 3,146 | 108,780 |
| Provided for the period | 2,472 | 112 | 26 | 290 | - | 2,900 |
| Transfer to investment properties | (30,592) | - | - | - | - | (30,592) |
| At 30 September 2002 | <u>35,352</u> | <u>25,741</u> | <u>390</u> | <u>16,459</u> | <u>3,146</u> | <u>81,088</u> |
| NET BOOK VALUE | | | | | | |
| At 30 September 2002 | <u>39,146</u> | <u>7,234</u> | <u>1,278</u> | <u>1,568</u> | <u>-</u> | <u>49,226</u> |
| At 31 March 2002 | <u>76,641</u> | <u>7,346</u> | <u>1,304</u> | <u>1,246</u> | <u>-</u> | <u>86,537</u> |

10. Trade and Other Receivables

The Group has a policy of allowing credit period of 60 days to its trade customers.

An aged analysis of trade customers is as follows:

| | 30.9.2002 | 31.3.2002 |
|-------------------|------------------|-----------------|
| | HK\$'000 | HK\$'000 |
| Trade receivables | | |
| 0 – 60 days | 4,335 | 3,547 |
| 61 – 90 days | 517 | 277 |
| Over 90 days | 744 | 483 |
| | 5,596 | 4,307 |
| Other receivables | 4,799 | 3,892 |
| | 10,395 | 8,199 |