

Group Results

The Board of Directors of Safety Godown Company, Limited are pleased to announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2003 was HK\$25,482,000, representing a growth of 21.67% over the last corresponding period. Earnings per share for the period were HK18.9 cents (2002: HK15.5 cents).

Business Review

During the review period, the outbreak of the U.S. war in Iraq and the outrage of SARS dealt a hard blow to Hong Kong's airlines and tourism industries. Retailers and the service sector encountered a harsh time with weak consumer confidence and a sharp rise in the jobless rate. Certain business activities and transactions were also greatly affected. Although the Group's godown business suffered less than other trades, the slack flow of goods lowered the demand for godown services, causing a slight decrease of 2% in godown revenue during this period.

As for property investments, in the face of a tremendous rise in the supply of office premises in eastern Kowloon, the market faced the pressure of decrease in rent under fierce competition. The rental rates of the Group's investment property also saw a downward adjustment following the general market trend. This negative factor was offset by the increase in rental area as a result of the conversion of part of the godown space to investment property, resulting from a slight growth in property rental income during the period.

In the securities investment, the stock market rebounded significantly in the after-math of SARS in the first half of the year. The Group recorded a gain on trading securities of approximately HK\$6 million during the period.

The low interest rate during the period and stringent operational cost control measures have brought certain results. The overall business turnover, other than gains on securities trading, during the period remained stable with results similar to that of the previous year.

Prospects

As SARS subsides, the number of inbound tourists visiting Hong Kong has been on the rise, driving the recovery of different trades and industries. Hong Kong's consumer confidence has resumed and property prices have become more stable. On a global level, there are also encouraging signs of recovery. Raw material prices have been increasing and fund raising activities are numerous. This together with the influence of the Olympic Games next year will enable a stable performance of the godown business.

In respect of the investment property, the reviving market conditions and stabilised rental rates have slightly set-off the unfavourable factor of increased supply, and also helped the Group to maintain a satisfactory leasing rate and income from its investment property.

In the securities investment, since the stock market prices have risen considerably in the first half of the year, the Group do not expect to have another substantial surge in stock prices nor a significant gains on securities investment in the second half of the year.

Despite uncertainties in the political and economic climate due to the U.S. Presidential Election next year, the overall business performance of the Group in the second half of the year is anticipated to remain steady.

Closure of Members Register

The Register of Members of the Company will be closed from 13 January 2004 to 16 January 2004, 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, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 12 January 2004.

Directors' Interests

At 30 September 2003, the interests of the directors and chief executives in the shares of the Company or any associated corporation as recorded in the register required to be kept under Section 352 of the Securities and Futures Ordinance (the "SFO") were as follows:

Name of director	Number of ordinary shares held			Total
	Personal interests	Family interests	Corporate interests	
Mr. Lu Sin	4,400,000	2,589,500	59,553,445 (<i>Note</i>)	66,542,945
Mr. Lui Chi Lung	947,884	—	—	947,884
Mr. Wong Ker Lee	1,812,000	—	—	1,812,000

Note: Mr. Lu Sin was deemed to be interested in 59,553,445 shares of the Company by virtue of his shareholdings in Lusin and Company Limited and Earngold Limited. Lusin and Company Limited and Earngold Limited owned 2,000,000 shares and 10,350,000 shares respectively, of the Company. Lusin and Company Limited owned more than one-third of the issued ordinary share capital of Kian Nan Financial Limited which in turn owned 47,203,445 shares of the Company.

Other than as disclosed above, none of the directors or chief executives of the Company, nor their associates, had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO, 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 period.

Substantial Shareholders

As at 30 September 2003, the following persons, other than Lusin and Company Limited and Earngold Limited, whose interests in the shares of the Company were disclosed in "Directors' Interests" above, were interested in 5% or more of the issued share capital of the Company as recorded in the register maintained under Section 336 of the SFO:—

Name of substantial shareholder	Number of ordinary shares held		Percentage of issued share capital
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 (<i>Note</i>)	36.45%
Kian Nan Financial Limited	47,203,445	—	34.97%
Fu Nan Enterprises Company Limited	11,999,661	—	8.89%

Note: Eaver Company Limited was deemed to be interested in 47,203,445 shares of the Company by virtue of its shareholding in Kian Nan Financial Limited.

Save as disclosed above, as at 30 September 2003, no other person was interested in or had a short position in the shares or underlying shares which would fall to be disclosed to the Company under Section 336 of the SFO.

Management Discussion and Analysis

Financial Review

The Group performed satisfactorily despite the challenges brought about by SARS, with growth recorded in both turnover and profit for the period. Net profit for the period has reached HK\$25,482,000, achieving a 21.67% growth over the same period last year. The Group's income from property investment recorded an increase of 4.23% while the income from godown business dropped slightly by 1.91% as a result of the Group's strategy for securing a more stable rental income by reducing godown areas. Total turnover grew steadily by 2.14% to HK\$42,527,000.

The Group benefited from the rebound in the world equity market. During the period, the Group's investment portfolio in trading securities rose by 30.64% to HK\$15,730,000 which consisted primarily of Hong Kong listed securities. Gain on trading securities amounting to HK\$6,647,000, including unrealized gain of HK\$5,105,000, was recognised in the income statement for the period.

Financial Resources and Liquidity

During the six-month period, the Group's balance sheet remained strong. As at 30 September 2003, total current assets increased by 10.41% to HK\$65,881,000 with total current liabilities decreased by 14.33% to HK\$83,956,000. The Group's cash balance increased from HK\$16,361,000 to HK\$19,317,000 and bank borrowings reduced from HK\$61,553,000 to HK\$51,254,000 as compared to its financial position at last year end.

Shareholders' funds after payment of final dividend for the year 2003 increased from HK\$808,753,000 to HK\$836,368,000 during the period. The gearing ratio calculated on the basis of total bank borrowings over total shareholders' fund kept at 6.13% (31.3.2003: 7.61% restated). The continuous reduction in bank borrowings year on year, together with the drop in interest rate, further lowered the finance cost by 56.42% to HK\$574,000 as compared with the same period last year.

Pledge on Assets

The Group's bank deposits in the amount of HK\$20,000,000, investment properties with carrying value of HK\$700,000,000 and property, plant and equipment with carrying value of approximately HK\$6,000,000 were pledged to banks to secure bank loan and general banking facilities utilised by the Group.

Employees

After years of consolidation and cost tightening measures, the Group is in the position of optimising the deployment of human resources. The number of employees as at 30 September 2003 was 85, and the total staff cost for the period maintained at HK\$9,300,000. The Group will continue to develop staff through training and development.

Appointment of New Director

At the Board Meeting held on 17 December 2003, Mr. Lam Ming Leung was appointed as independent non-executive director of the Company with effect from 1 January 2004. Mr. Lam was a director and general manager of National Commercial Bank Limited, Hong Kong branch and an independent non-executive director of a listed company. We welcome Mr. Lam to join our Board and believe that he will have a positive contribution to the development of the Group.

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 2003, 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, 17 December 2003

Independent Review Report

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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.

It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 group management 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 2003.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, 17 December 2003

Condensed Consolidated Income Statement

For the six months ended 30 September 2003

	Notes	Six months ended	
		30.9.2003 (unaudited) HK\$'000	30.9.2002 (unaudited) (restated) HK\$'000
Turnover	3	42,527	41,638
Other operating income	4	816	2,899
Staff costs		(9,300)	(9,201)
Depreciation		(1,871)	(2,900)
Net unrealised gain (loss) on trading securities		5,105	(698)
Gain on disposal of trading securities		1,542	–
Loss on disposal of other securities		–	(35)
Other operating expenses		(8,581)	(5,779)
Profit from operations		30,238	25,924
Finance costs		(574)	(1,317)
Profit before taxation		29,664	24,607
Taxation	5	(4,182)	(3,663)
Profit for the period		25,482	20,944
Interim Dividend	6	6,750	5,400
Earnings per share	7	18.9 cents	15.5 cents

Condensed Consolidated Balance Sheet

At 30 September 2003

		30.9.2003 (unaudited)	31.3.2003 (audited) (restated)
	Notes	HK\$'000	HK\$'000
Non-current assets			
Investment properties	8	801,000	801,000
Property, plant and equipment	9	49,274	49,335
Investments in securities		21,902	13,019
		<u>872,176</u>	<u>863,354</u>
Current assets			
Trade and other receivables	10	10,795	10,404
Investments in securities		15,730	12,041
Taxation recoverable		39	863
Pledged bank deposits		20,000	20,000
Bank balances and cash		19,317	16,361
		<u>65,881</u>	<u>59,669</u>
Current liabilities			
Other payables		30,398	36,039
Taxation payable		2,304	403
Bank borrowings		51,254	61,553
		<u>83,956</u>	<u>97,995</u>
Net current liabilities			
		<u>(18,075)</u>	<u>(38,326)</u>
		<u>854,101</u>	<u>825,028</u>
Capital and reserves			
Share capital		135,000	135,000
Reserves		701,368	673,753
		<u>836,368</u>	<u>808,753</u>
Non-current liabilities			
Provision for long service payments		5,583	5,583
Deferred taxation	11	12,150	10,692
		<u>17,733</u>	<u>16,275</u>
		<u>854,101</u>	<u>825,028</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

	Share capital HK\$'000	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2002							
- as originally stated	135,000	43,216	173,018	(23,084)	42	460,736	788,928
- prior period adjustment (Note 2)	-	-	-	-	-	(4,024)	(4,024)
- as restated	135,000	43,216	173,018	(23,084)	42	456,712	784,904
Revaluation increase (decrease) not recognised in the condensed consolidated income statement	-	-	32,630	(9,802)	-	-	22,828
Profit for the period	-	-	-	-	-	20,944	20,944
Final dividend for 2002 paid	-	-	-	-	-	(8,100)	(8,100)
At 30 September 2002	135,000	43,216	205,648	(32,886)	42	469,556	820,576
Revaluation decrease not recognised in the condensed consolidated income statement	-	-	(31,099)	-	-	-	(31,099)
Profit for the period	-	-	-	-	-	24,676	24,676
Interim dividend for 2003 paid	-	-	-	-	-	(5,400)	(5,400)
At 31 March 2003	135,000	43,216	174,549	(32,886)	42	488,832	808,753
Revaluation increase not recognised in the condensed consolidated income statement	-	-	-	8,883	-	-	8,883
Profit for the period	-	-	-	-	-	25,482	25,482
Final dividend for 2003 paid	-	-	-	-	-	(6,750)	(6,750)
At 30 September 2003	<u>135,000</u>	<u>43,216</u>	<u>174,549</u>	<u>(24,003)</u>	<u>42</u>	<u>507,564</u>	<u>836,368</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

	Six months ended	
	30.9.2003	30.9.2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	19,293	26,776
Net cash from (used in) investing activities	1,286	(3,546)
Net cash used in financing activities	(14,824)	(23,600)
Net increase (decrease) in cash and cash equivalents	5,755	(370)
Cash and cash equivalents at beginning of the period	12,808	11,975
Cash and cash equivalents at end of the period	18,563	11,605
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	19,317	16,223
Bank overdrafts	(754)	(4,618)
	18,563	11,605

Notes to the Condensed Financial Statements

For the six months ended 30 September 2003

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. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and 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 31 March 2003, except for the adoption of SSAP 12 (Revised) “Income taxes” which becomes effective in the current period.

The principal effect of the implementation of SSAP 12 (Revised) is in relation to deferred tax. In previous years, partial provision was made for deferred tax using the income statement liability method, i.e. a liability was recognized in respect of timing differences arising, except where those timing differences were not expected to reverse in the foreseeable future. SSAP 12 (Revised) requires the adoption of a balance sheet liability method, whereby deferred tax is recognised in respect of all temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, with limited exceptions. In the absence of any specific transitional requirements in SSAP 12 (Revised), the new accounting policy has been applied retrospectively. Comparative amounts have been restated accordingly.

As a result of this change in policy, the retained profits at 1 April, 2003 has been decreased by HK\$3,153,000 (1.4.2002: HK\$4,024,000) and the profit for the six months ended 30 September, 2003 has been decreased by HK\$200,000 (six months ended 30.9.2002: HK\$2,893,000).

3. Segment Information

Business Segments:

For management purposes, the Group is currently organised into two operation divisions – godown operations and property investment. These divisions are the basis on which the Group reports its segment information.

Segment information about these businesses is presented below:

For the six months ended 30 September 2003

	Godown operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
REVENUE					
External income	13,948	28,579	-	-	42,527
Inter-segment income	-	2,538	-	(2,538)	-
Total revenue	<u>13,948</u>	<u>31,117</u>	<u>-</u>	<u>(2,538)</u>	<u>42,527</u>
SEGMENT RESULT	<u>6,567</u>	<u>19,137</u>	<u>(5)</u>	<u>-</u>	25,699
Bank interest income					186
Dividend income from investments in securities			132		132
Net unrealised gain on trading securities			5,105		5,105
Gain on disposal of trading securities			1,542		1,542
Unallocated corporate expenses					(2,426)
Profit from operations					<u>30,238</u>

For the six months ended 30 September 2002

	Godown operations	Property investment	Others	Eliminations	Consolidated
	<i>HK\$'000</i>	<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)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	<u>14,219</u>	<u>29,957</u>	<u>–</u>	<u>(2,538)</u>	<u>41,638</u>
SEGMENT RESULT					
	<u>3,412</u>	<u>23,569</u>	<u>43</u>	<u>–</u>	27,024
Bank interest income					372
Dividend income from investments in securities			1,646		1,646
Net unrealised loss on trading securities			(698)		(698)
Loss on disposal of other securities			(35)		(35)
Unallocated corporate expenses					(2,385)
					<hr/>
Profit from operations					<u>25,924</u>

4. Other Operating Income

Included in other operating income are as follows:

	Six months ended	
	30.9.2003	30.9.2002
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Bank interest income	186	372
Dividend income from investments in securities	132	1,646
	<hr/>	<hr/>

5. Taxation

Six months ended	
30.9.2003	30.9.2002
(unaudited)	(unaudited)
	(restated)
HK\$'000	HK\$'000

The charge comprises:

Hong Kong Profits Tax calculated at 17.5% (30.9.2002: 16%) of the estimated assessable profit for the period	2,724	770
Deferred taxation	1,458	2,893
	<u>4,182</u>	<u>3,663</u>

Details of the deferred taxation for the period are set out in note 11.

6. Interim Dividend

Six months ended	
30.9.2003	30.9.2002
(unaudited)	(unaudited)
HK\$'000	HK\$'000

Interim dividend proposed:

HK5 cents (30.9.2002: HK4 cents) per ordinary share	6,750	5,400
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The directors have determined that an interim dividend of 5 cents per share (six months ended 30.9.2002: HK4 cents) should be paid to the shareholders of the Company, whose names appear in the register of members on 16 January 2004.

During the period, final dividend of HK5 cents (2002: HK6 cents) per ordinary share amounting to HK\$6,750,000 (2002: HK\$8,100,000) for the year ended 31 March 2003 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\$25,482,000 (six months ended 30.9.2002 (restated): HK\$20,944,000) and on 135,000,000 shares (six months ended 30.9.2002: 135,000,000 shares) in issue during the period.

8. Investment Properties

In the opinion of the directors, the carrying value of the Group's investment properties at 30 September 2003 did not differ significantly from their market value at the same date.

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 and carparks in Mainland China under medium-term land use right HK\$'000	Leasehold Improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST						
At 1 April 2003	74,498	32,975	1,668	19,408	3,392	131,941
Additions	-	-	-	448	1,362	1,810
At 30 September 2003	74,498	32,975	1,668	19,856	4,754	133,751
DEPRECIATION						
At 1 April 2003	35,855	25,854	717	17,009	3,171	82,606
Provided for the period	1,173	107	26	464	101	1,871
At 30 September 2003	37,028	25,961	743	17,473	3,272	84,477
NET BOOK VALUE						
At 30 September 2003	37,470	7,014	925	2,383	1,482	49,274
At 31 March 2003	38,643	7,121	951	2,399	221	49,335

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:

	30.9.2003 (unaudited) HK\$'000	31.3.2003 (audited) HK\$'000
Trade receivables		
Within 60 days	4,724	4,208
61-90 days	84	261
Over 90 days	375	589
	<hr/> 5,183	<hr/> 5,058
Other receivables	5,612	5,346
	<hr/> 10,795 <hr/>	<hr/> 10,404 <hr/>

11. Deferred Taxation

The following are the deferred tax liabilities recognised by the Group and movements thereon during the current and prior reporting periods:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2002	
– as originally stated	3,339
– prior period adjustment on adoption of SSAP 12 (Revised)	<hr/> 4,024
– as restated	7,363
Charge to income statement for the period	<hr/> 2,893
At 30 September 2002	10,256
Charge to income statement for the period	<hr/> 436
At 31 March 2003	10,692
Charge to income statement for the period	456
Effect of change in tax rate	<hr/> 1,002
At 30 September 2003	<hr/> 12,150 <hr/>