

## Group Results

The Board of Directors of Safety Godown Company, Limited (the “Company”) are pleased to announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2005 was HK\$80,773,000, representing a growth of 169% over the last corresponding period. Earnings per share for the period were HK59.8 cents (2004: HK22.2 cents). The interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu in accordance with Statement of Auditing Standards 700, “Engagements to Review Interim Financial Reports”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## Interim Dividend

The Directors have declared an interim dividend for 2005/2006 of HK7 cents per share (HK7 cents per share in 2004/2005) to shareholders whose names appear on the Register of Members of the Company on Friday 30 December 2005. The dividend will be paid on or about Friday 6 January 2006.

## Business Outlook

As the global economic environment and market sentiment improved continuously, and Hong Kong's economic activities remained buoyant in the period under review, the Group's godowns were able to maintain a relatively high occupancy rate. However, the lifting of the global textiles quota at the beginning of 2005 triggered protective measures by the United States and other European countries against the influx of textile products from China, leaving uncertainties behind. The persistently high oil prices coupled with rising interest rate, had led to a drop in import volumes and thus the high growth rate seen in last year would be difficult to sustain. During the period under review, the growth rate in godown business slowed down, posting a growth of 3.4% in overall godown business revenue compared with the same period last year.

The warehouse leasing business also benefited from the booming local property market and a moderate increase in the rent on renewed tenancies was recorded.

A sharp rise in the supply of office buildings in Eastern Kowloon fuelled competition in the rental market, the occupancy rate of Lu Plaza dropped in the first quarter and affected the rental income slightly. In view of this, the Group endeavoured to attract new tenants by strengthening its promotion efforts. Currently, Lu Plaza's occupancy rate is steadily rebounding, and is receiving an upward adjustment in its letting value as a result of the general increase in office rental in Hong Kong. However, as more and more new commercial buildings in Eastern Kowloon become available, Lu Plaza is still facing challenges; but with the large number of new tenants secured this year, the occupancy rate is expected to remain stable.

The success in reaching agreement among China, Europe and the United States in respect of textiles and garment trades will have positive impact on the economy and therefore demand for warehousing services from this category of goods will return to normal. However, as the high oil price remains and the interest rate increase cycle has yet to see its end, followed by the risk of an avian flu outbreak, there are signs of slowdown in the economy both in Hong Kong and Asia after the review period. Notwithstanding the continued economic uncertainties, the godown business is expected to contribute stable revenue to the Group in the second half of the year, but is unlikely to keep the high growth rate in the last year.

## Business Review

### Godown Operation

Following a significant growth in profit in the financial year 2005, the godown operation maintained a steady growth for the half year under review. Turnover in the godown segment grew by 3.4% with its contribution increased by 6.1% compared to the last corresponding period. Profit margin has also improved slightly. The growth in profit margin was mainly attributable to the continuous refinement in resources and logistic management.

### Property Investment

The Lu Plaza continued to secure a stable rental income to the Group. During the period, rental income generated from investment properties amounted to HK\$24.7 million, a drop of 1.8% against last year. With the adoption of the new accounting policy for investment property, a gain in fair value of investment property of HK\$60 million were included in the income statement. Profit generated from investment property as a result surged by 304%.

## Treasury Investment

Treasury investment performed remarkably strong in the half year period. With an average investment cost of around HK\$37.7 million in investments held for trading, the Group recorded a profit of approximately HK\$14 million which represents a return on investment of 37% over the half year period while the Hang Seng Index appreciated by 14% over the same period. To better control investment risk, the Group has formulated disciplined investment guidelines and policies for treasury investments and has formed an investment committee to ensure that the investment guidelines and policies are strictly followed. The investment portfolio primarily comprises of securities listed in Hong Kong and the Group does not engage in futures, options or any derivative trading activities for speculation purpose.

Investments in non-trading securities were reclassified as “available-for-sale investments” in accordance with the treatment of the new accounting policy adopted. Unrealised gain on available-for-sale investments in the amount of approximately HK\$3 million was recognised in the investment revaluation reserve. As at 30 September 2005, the carrying value in available-for-sale investments increased by 9.4% to HK\$50.8 million.

## Financial Resources and Liquidity

The Group's financial position is sound with stable net cash inflow from the property investment and godown operations. Cash generated from operating and investing activities amounted to HK\$50.8 million, an increase of over 100% compared to the last corresponding period. During the period, the Group has repaid all its bank borrowings. As at 30 September 2005, the Group did not have any bank borrowings, the recent increases in bank interest rates do not have any impact on the Group's financial position. The current assets to current liabilities ratio enhanced and registered at 2.32 times (31/3/2005: 1.57 times).

Total cash and bank balances were stabled at HK\$50.5 million (31/3/2005: HK\$49.3 million) and the investment portfolio held for trading was maintained at HK\$38.3 million (31/3/2005: HK\$37.2 million) which was less than 4% of the Group's total shareholder's equity.

The Group's total shareholder's equity as at 30 September 2005 amounted to approximately HK\$1,043 million (31/3/2005: HK\$969 million), while the net asset value rose by 7.7% to HK\$7.73 (31/3/2005: HK\$7.18) per share. The Group will continue to adopt a conservative approach to financial and investment risk management.

## Pledge of Assets

The Group's investment properties with carrying value of HK\$855 million (31/3/2005: HK\$795 million) and property, plant and equipment with carrying value of HK\$5.6 million (31/3/2005: HK\$5.7 million) have been pledged to banks to secure general banking facilities of HK\$72 million (31/3/2005: HK\$72 million) granted to the Group. However, as at 30 September 2005, no such banking facilities were utilized by the Group.

## Employees

As at 30 September 2005, the Group employed a total of 82 employees. Total staff remuneration for the period was kept at HK\$9.7 million (30/9/2004: HK\$9.7 million). The Group offers good remuneration and welfare packages to its employees and conducts regular training programmes to its employees to enhance staff performance.

## Directors' Interests in Securities

At 30 September 2005, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 371 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of Director	Number of ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Lu Sin	4,400,000	2,589,500	59,553,445	66,542,945	49%
			(Note)		
Mr. Lui Chi Lung	947,884	–	–	947,884	1%
Mr. Lam Ming Leung	10,000	–	–	10,000	–

*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 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 at 30 September 2005.

## Substantial Shareholders

At 30 September 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 (Note)	36%
Kian Nan Financial Limited	47,203,445	–	35%
Fu Nan Enterprises Company Limited	11,999,661	–	9%

*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.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 September 2005.

## Closure of Members Register

The Register of Members of the Company will be closed from Wednesday 28 December 2005 to Friday 30 December 2005, 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 Friday 23 December 2005.

## Purchase, Sale or Redemption of Shares

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

## Code on Corporate Governance Practices

The Company has complied with all the code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2005, except for the following deviations:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lu Sin is the Chairman and the Chief Executive of the Group. Mr. Lu is the founder and a substantial shareholder of the Group and has considerable industry experience. The Board considers that this structure will not impair the balance of power and authority between the Board and the Management of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman who is most knowledgeable about the business of the Group and is most capable to guide the growth of the Group and brief the Board in a timely manner on pertinent issues and to facilitate open dialogue between the Board and management. In addition, the Group's business is best served when strategic planning and decisions are made and implemented by the management under the leadership of Mr. Lu.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

Non-executive directors of the Company do not have a specific term of appointment. However, all non-executive directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Article 78 of the Articles of Association of the Company, and the terms of their appointment will be reviewed when they are due for re-election.

Code Provision B.1.1 stipulates that a majority of the members of the remuneration committee should be independent non-executive directors.

The current members of the Remuneration Committee of the Group are Mr. Lu Sin, Chairman and chief executive director, Mr. Oen Min Tjin, independent non-executive director, and Mr. Lee Ka Sze, Carmelo who was independent non-executive director and was re-designated as non-executive director with effect from 28 September 2004. To ensure full compliance with the Code, the Board is considering nomination of an independent non-executive director to become member of the remuneration committee as soon as possible.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited as its code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code during the six months ended 30 September 2005.

By Order of the Board  
**Lu Sin**  
*Chairman*

Hong Kong, 12 December 2005

# Independent Review Report



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 9 to 21.

## 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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 Institute of Certified Public Accountants. A review consists principally of making enquiries of the 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 2005.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 12 December 2005



# Condensed Consolidated Income Statement

For the six months ended 30 September 2005

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2005</b> <b>(unaudited)</b> <i>HK\$'000</i>	30.9.2004 (unaudited) (restated) <i>HK\$'000</i>
Revenue	4	<b>68,083</b>	75,229
Other income		<b>553</b>	516
Increase in fair value of securities held for trading		<b>7,447</b>	2,036
Increase in fair value of investment properties		<b>60,000</b>	–
Cost of sales of securities held for trading		<b>(20,664)</b>	(27,157)
Staff costs		<b>(9,711)</b>	(9,751)
Depreciation and amortisation		<b>(1,937)</b>	(1,995)
Other expenses		<b>(6,684)</b>	(5,412)
Finance costs		<b>(134)</b>	(148)
Profit before taxation		<b>96,953</b>	33,318
Taxation	5	<b>(16,180)</b>	(3,343)
Profit for the period attributable to shareholders		<b><u>80,773</u></b>	<u>29,975</u>
Interim Dividend	6	<b><u>9,450</u></b>	<u>9,450</u>
Earnings per share – Basic	7	<b><u>59.8 cents</u></b>	<u>22.2 cents</u>

# Condensed Consolidated Balance Sheet

At 30 September 2005

		30.9.2005 (unaudited)	31.3.2005 (audited) (restated)
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Investment properties	8	973,400	913,400
Property, plant and equipment	9	42,321	43,717
Investments in non-trading securities		–	46,408
Available-for-sale investments		50,762	–
		<u>1,066,483</u>	<u>1,003,525</u>
<b>Current assets</b>			
Trade and other receivables	10	15,113	8,986
Investments in trading securities		–	37,249
Investments held for trading		38,274	–
Pledged bank deposits		–	20,000
Bank balances and cash		50,500	29,282
		<u>103,887</u>	<u>95,517</u>
<b>Current liabilities</b>			
Other payables		26,693	25,011
Provision for legal claims		13,679	13,679
Tax payable		4,473	2,097
Bank borrowings	11	–	20,000
		<u>44,845</u>	<u>60,787</u>
<b>Net current assets</b>		<u>59,042</u>	<u>34,730</u>
		<u>1,125,525</u>	<u>1,038,255</u>
<b>Capital and reserves</b>			
Share capital		135,000	135,000
Reserves		908,480	834,165
		<u>1,043,480</u>	<u>969,165</u>
<b>Non-current liabilities</b>			
Deferred tax liabilities		79,142	66,370
Provision for long service payments		2,903	2,720
		<u>82,045</u>	<u>69,090</u>
		<u>1,125,525</u>	<u>1,038,255</u>

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	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 2004							
- as originally stated	135,000	43,216	196,549	(14,124)	42	525,398	886,081
- prior period adjustments arising from changes in accounting policies	-	-	(196,549)	-	-	163,639	(32,910)
- as restated	135,000	43,216	-	(14,124)	42	689,037	853,171
Revaluation decrease recognised directly in equity	-	-	-	(2,681)	-	-	(2,681)
Profit for the period	-	-	-	-	-	29,975	29,975
Total recognised income and expenses for the period	-	-	-	(2,681)	-	29,975	27,294
Dividends	-	-	-	-	-	(8,100)	(8,100)
At 30 September 2004	135,000	43,216	-	(16,805)	42	710,912	872,365
Revaluation increase recognised directly in equity	-	-	-	17,308	-	-	17,308
Profit for the period	-	-	-	-	-	88,942	88,942
Total recognised income for the period	-	-	-	17,308	-	88,942	106,250
Dividends	-	-	-	-	-	(9,450)	(9,450)
At 31 March 2005	135,000	43,216	-	503	42	790,404	969,165
Revaluation increase recognised directly in equity	-	-	-	2,992	-	-	2,992
Profit for the period	-	-	-	-	-	80,773	80,773
Total recognised income for the period	-	-	-	2,992	-	80,773	83,765
Dividends	-	-	-	-	-	(9,450)	(9,450)
At 30 September 2005	135,000	43,216	-	3,495	42	861,727	1,043,480

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	Six months ended	
	30.9.2005 (unaudited) <i>HK\$'000</i>	30.9.2004 (unaudited) (restated) <i>HK\$'000</i>
Net cash from operating activities	32,705	25,066
Net cash from (used in) investing activities	18,097	(183)
Net cash (used in) from financing activities	<u>(29,584)</u>	<u>4,252</u>
Net increase in cash and cash equivalents	21,218	29,135
Cash and cash equivalents at beginning of the period	<u>29,282</u>	<u>14,989</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u><u>50,500</u></u>	<u><u>44,124</u></u>

# Notes to the Condensed Financial Statements

For the six months ended 30 September 2005

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair values.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Group, comprising the Company and its subsidiaries, for the year ended 31 March 2005 except as described below.

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRSs”), HKASs and Interpretations (“Int”) (hereinafter collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2005. The application of the new HKFRSs has resulted in a change in the presentation of the income statement, balance sheet and the statement of changes in equity. The changes in presentation have been applied retrospectively. The adoption of the new HKFRSs has resulted in changes to the Group’s accounting policies in the following areas that have an effect on how the results for the current or prior accounting periods are prepared and presented.

### Owner-occupied Leasehold Interests in Land

In previous periods, owner-occupied leasehold land and buildings were included in property, plant and equipment and measured using the cost model. In the current period, the Group has applied HKAS 17 “Leases”. Under HKAS 17, the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification, unless the lease payments cannot be allocated reliably between the land and buildings elements, in which case, the entire lease is generally treated as a finance lease. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably,

the leasehold interests in land are reclassified to prepaid lease payments under operating leases, which are carried at cost and amortised over the lease term on a straight-line basis. As the allocation between the land and buildings elements cannot be made reliably, the leasehold interests in land continue to be accounted for as property, plant and equipment.

### Investment Properties

In the current period, the Group has applied HKAS 40 “Investment Property”. The Group has elected to use the fair value model to account for its investment properties which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In previous periods, investment properties under Statement of Standard Accounting Practice (“SSAP”) 13 “Accounting for Investment Properties” were measured at open market values, with revaluation surplus or deficit credited or charged to investment property revaluation reserve unless the balance on this reserve was insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment property revaluation reserve was charged to the income statement. Where a decrease had previously been charged to the income statement and revaluation increase subsequently arose, that increase was credited to the income statement to the extent of the decrease previously charged. The Group has applied the relevant transitional provisions in HKAS 40 and elected to apply HKAS 40 retrospectively. Comparative figures have been restated.

### Deferred Taxes related to Investment Properties

In previous periods, deferred tax consequences in respect of revalued investment properties were assessed on the basis of the tax consequence that would follow from recovery of the carrying amount of the properties through sale in accordance with the predecessor Interpretation. In the current period, the Group has applied HKAS-Int 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” which removes the presumption that the carrying amount of investment properties are to be recovered through sale. Therefore, the deferred tax consequences of the investment properties are now assessed on the basis that reflects the tax consequences that would follow from the manner in which the Group expects to recover the property at each balance sheet date. In the absence of any specific transitional provisions in HKAS-Int 21, this change in accounting policy has been applied retrospectively. Comparative figures have been restated.

## Financial Instruments

In the current period, the Group has applied HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement”. HKAS 32 requires retrospective application. HKAS 39, which is effective for accounting periods beginning on or after 1 January 2005, generally does not permit to recognise, derecognise or measure financial assets and liabilities on a retrospective basis. The application of HKAS 32 has had no material impact on how financial instruments of the Group are presented in the financial statements for current and prior accounting periods. The Group has applied the relevant transitional provisions in HKAS 39 with respect to classification and measurement of financial assets that are within the scope of HKAS 39 and the principal effects are summarised below:

By 31 March 2005, the Group classified and measured its debt and equity securities in accordance with the alternative treatment of SSAP 24 “Accounting for Investments in Securities”. Under SSAP 24, investments in debt or equity securities are classified as “trading securities”, “non-trading securities” or “held-to-maturity investments” as appropriate. Both “trading securities” and “non-trading securities” are measured at fair value. Unrealised gains or losses of “trading securities” are reported in the profit or loss for the period in which gains or losses arise. Unrealised gains or losses of “non-trading securities” are reported in equity until the securities are sold or determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit and loss for that period. From 1 April 2005 onwards, the Group classifies and measures its debt and equity securities in accordance with HKAS 39. Under HKAS 39, financial assets are classified as “financial assets at fair value through profit or loss”, “available-for-sale financial assets”, “loans and receivables”, or “held-to-maturity financial assets”. The classification depends on the purpose for which the assets are acquired. “Financial assets at fair value through profit or loss” and “available-for-sale financial assets” are carried at fair value, with changes in fair values recognised in income statement and equity respectively. “Loans and receivables” and “held-to-maturity financial assets” are measured at amortised cost using the effective interest method.

On 1 April 2005, the Group reclassified its “investments in non-trading securities” and “investments in trading securities” of approximately HK\$46,408,000 and HK\$37,249,000 to “available-for-sale investments” and “investments held for trading”, respectively. This change has had no effect on the results of the current and prior periods.

### Newly Issued Standards or Interpretations but not yet effective

The Group has not early applied the following new Standards or Interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these Standards or Interpretations will have no material impact on the financial statements of the Group.

HKAS 1 (Amendment)	“Capital Disclosures”
HKAS 19 (Amendment)	“Actuarial Gains and Losses, Group Plans and Disclosures”
HKAS 39 (Amendment)	“Cash Flow Hedge Accounting of Forecast Intragroup Transaction”
HKAS 39 (Amendment)	“The Fair Value Option”
HKAS 39 and HKFRS 4 (Amendments)	“Financial Guarantee Contracts”
HKFRS 6	“Exploration for and Evaluation of Mineral Resources”
HKFRS 7	“Financial Instruments: Disclosures”
HK(IFRIC)-Int 4	“Determining whether an Arrangement Contains a Lease”
HK(IFRIC)-Int 5	“Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds”
HK(IFRIC)-Int 6	“Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment”

### 3. SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effects of the changes in the accounting policies described in note 2 are summarised as follows:

(a) Effects on the results for the current and prior periods:

	<b>Six months ended</b>	
	<b>30.9.2005</b>	30.9.2004
	<b>(unaudited)</b>	(unaudited)
	<b>HK\$'000</b>	HK\$'000
Increase in fair value of investment properties	<b>60,000</b>	–
Increase in taxation	<b>(10,500)</b>	–
Increase in profit for period	<b><u>49,500</u></b>	<u>–</u>



(b) Effects on the balance sheet as at 31 March 2005 and 1 April 2005:

	As at 31.3.2005 (originally stated)			As at 31.3.2005 (restated)		As at 1.4.2005 (restated)
	HKAS 40 HK\$'000	HKAS- Int 21 HK\$'000	HKAS 40 HK\$'000	HKAS 39 HK\$'000	HKAS 39 HK\$'000	HK\$'000
Investments in non-trading securities	46,408	-	-	46,408	(46,408)	-
Available-for-sale investments	-	-	-	-	46,408	46,408
Investments in trading securities	37,249	-	-	37,249	(37,249)	-
Investments held for trading	-	-	-	-	37,249	37,249
Deferred tax liabilities	(16,438)	-	(49,932)	(66,370)	-	(66,370)
	<u>67,219</u>	<u>-</u>	<u>(49,932)</u>	<u>17,287</u>	<u>-</u>	<u>17,287</u>
Total effects on assets and liabilities						
Retained profits	553,387	286,949	(49,932)	790,404	-	790,404
Investment property revaluation reserve	286,949	(286,949)	-	-	-	-
	<u>840,336</u>	<u>-</u>	<u>(49,932)</u>	<u>790,404</u>	<u>-</u>	<u>790,404</u>
Total effects on equity						

The effects on the balance sheet as at 1 April 2004 are that investment property revaluation reserve has decreased by HK\$196,549,000, and deferred tax liabilities and retained profits have increased by HK\$32,910,000 and HK\$163,639,000, respectively.

#### 4. SEGMENT INFORMATION

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

Business segment information is presented below:

*For the six months ended 30 September 2005*

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External income	15,993	24,755	27,335	-	68,083
Inter-segment income	-	2,838	-	(2,838)	-
Total	<u>15,993</u>	<u>27,593</u>	<u>27,335</u>	<u>(2,838)</u>	<u>68,083</u>
<b>Segment result</b>	<u>7,595</u>	<u>78,831</u>	<u>13,984</u>	<u>-</u>	<u>100,410</u>
Unallocated corporate expenses					(3,323)
Finance costs					<u>(134)</u>
Profit before taxation					<u>96,953</u>

*For the six months ended 30 September 2004*

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Revenue</b>					
External income	15,462	25,201	34,566	-	75,229
Inter-segment income	-	2,538	-	(2,538)	-
Total	<u>15,462</u>	<u>27,739</u>	<u>34,566</u>	<u>(2,538)</u>	<u>75,229</u>
<b>Segment result</b>	<u>7,156</u>	<u>19,527</u>	<u>9,445</u>	<u>-</u>	<u>36,128</u>
Unallocated corporate expenses					(2,662)
Finance costs					<u>(148)</u>
Profit before taxation					<u>33,318</u>

## 5. TAXATION

<b>Six months ended</b>	
<b>30.9.2005</b>	30.9.2004
<b>(unaudited)</b>	(unaudited)
<b>HK\$'000</b>	<b>HK\$'000</b>

The charge comprises:

Hong Kong Profits Tax:		
Current period	3,942	3,191
Overprovision in prior year	(534)	–
Deferred taxation	12,772	152
	<u>16,180</u>	<u>3,343</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the period.

## 6. INTERIM DIVIDEND

<b>Six months ended</b>	
<b>30.9.2005</b>	30.9.2004
<b>(unaudited)</b>	(unaudited)
<b>HK\$'000</b>	<b>HK\$'000</b>

Interim dividend proposed: HK7 cents (30.9.2004: HK7 cents) per ordinary share	<u>9,450</u>	<u>9,450</u>
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During the period, a final dividend of HK7 cents (2004: HK6 cents) per ordinary share amounting to HK\$9,450,000 (2004: HK\$8,100,000) for the year ended 31 March 2005 was paid to the shareholders.

The directors have determined that an interim dividend of HK7 cents per share (six months ended 30.9.2004: HK7 cents) be paid to the shareholders of the Company, whose names appear in the register of members on Friday 30 December 2005.

## 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period of HK\$80,773,000 (six months ended 30.9.2004: HK\$29,975,000) and on 135,000,000 shares (six months ended 30.9.2004: 135,000,000 shares) in issue throughout the period.

No diluted earnings per share has been presented as there were no potential shares for both periods.

## 8. INVESTMENT PROPERTIES

Included in the carrying amount of investment properties as at 30 September 2005 is an amount of HK\$800 million which was fair-valued at 30 September 2005 by Messrs. Jones Lang LaSalle Limited, independent Chartered Surveyors. The resulting increase in fair value of investment properties of HK\$60 million has been recognised directly in the income statement for the current period.

In the opinion of the directors, the carrying amount of the Group's remaining investment properties at 30 September 2005 did not differ significantly from their fair value at the same date.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases HK\$'000	Godown premises in Hong Kong held under medium- term leases HK\$'000	Office premises and carparks in Mainland China held 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 2005	74,498	32,975	1,668	20,279	2,536	131,956
Additions	-	-	-	541	-	541
At 30 September 2005	<u>74,498</u>	<u>32,975</u>	<u>1,668</u>	<u>20,820</u>	<u>2,536</u>	<u>132,497</u>
DEPRECIATION AND AMORTISATION						
At 1 April 2005	40,545	26,281	822	18,938	1,653	88,239
Provided for the period	1,172	107	26	431	201	1,937
At 30 September 2005	<u>41,717</u>	<u>26,388</u>	<u>848</u>	<u>19,369</u>	<u>1,854</u>	<u>90,176</u>
NET BOOK VALUES						
At 30 September 2005	<u>32,781</u>	<u>6,587</u>	<u>820</u>	<u>1,451</u>	<u>682</u>	<u>42,321</u>
At 31 March 2005	<u>33,953</u>	<u>6,694</u>	<u>846</u>	<u>1,341</u>	<u>883</u>	<u>43,717</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:

	30.9.2005 (unaudited) <i>HK\$'000</i>	31.3.2005 (audited) <i>HK\$'000</i>
Trade receivables		
Within 60 days	4,406	4,067
61-90 days	418	233
Over 90 days	345	185
	<hr/>	<hr/>
	5,169	4,485
Other receivables	9,944	4,501
	<hr/>	<hr/>
	15,113	8,986
	<hr/> <hr/>	<hr/> <hr/>

## 11. BANK BORROWINGS

During the period, the Group repaid the bank borrowings of HK\$20,000,000.

## 12. OUTSTANDING LITIGATIONS

At the balance sheet date, there were two outstanding unresolved litigations that were brought against the Group. These cases relate to certain damage alleged to be caused by defects in certain property previously owned by the Group and disputable income received by the Group. The Group intends to strongly contest the claims and, while the final outcome of the proceedings is uncertain, the directors are of the opinion that adequate provision has been made in the financial statements in prior year and the ultimate liability, if any, will not have a material impact on the Group's financial position.

In addition, there was one outstanding unresolved litigation that was brought against the Group relating to the loss of storage goods. In April 2005, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group is now appealing against the judgment of the Court of First Instance at the Court of Appeal. The directors are of the opinion that it is too early to assess the outcome of the appeal at this stage and adequate provision has been made in the financial statements in prior year.

# Corporate Information

## BOARD OF DIRECTORS

Lu Sin	Chairman & Managing Director
Lui Chi Lung	Executive Director
Lu Yong Lee	Non-executive Director
Lee Ka Sze, Carmelo	Non-executive Director
Gan Khai Choon	Independent Non-executive Director
Lam Ming Leung	Independent Non-executive Director
Oen Min Tjin	Independent Non-executive Director

## SECRETARY

Wong Leung Wai

## BANKERS

The Hongkong and Shanghai Banking Corporation Limited  
Bank of China (Hong Kong) Limited  
UFJ Bank Limited

## SOLICITORS

Woo, Kwan, Lee & Lo

## AUDITORS

Deloitte Touche Tohmatsu

## REGISTERED OFFICE

19th Floor, Lu Plaza  
2 Wing Yip Street  
Kwun Tong  
Kowloon  
Hong Kong

## REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited  
G/F., Bank of East Asia Harbour View Centre,  
56 Gloucester Road,  
Wanchai,  
Hong Kong

## WEBSITE

<http://www.safetygodown.com>