

Group Results

The Board of Directors of Safety Godown Company, Limited announces that the Group's unaudited consolidated profit attributable to shareholders for the half-year ended 30 September 2001 was approximately HK\$20,019,000. Earnings per share for the period is 14.8 cents. In comparison with the interim results of the corresponding period in 2000, earnings per share increased by 0.8 cents.

Business Review

Although the Hong Kong economy had seen a short-term recovery, in the wake of the economic slump in the US, the Hong Kong economy slipped back into recession. Imports, exports and entrepot businesses all registered sharp declines. Consumer demand shrank. Firms took measures to reduce operating costs and inventories. The godown business contracted in the first half of the year with an apparent slipping in the godown turnover rate. The decline in demand for warehouse space is expected to become more evident in the second half of the year. Since the middle of this year, the Group has begun to offer leasing of its warehouse premises by storeys to bring in a new source of income. A number of storeys in Kwai Chung Godown No. 4 have been leased out in this way. Meanwhile, the Group made every endeavour to pare down costs and spendings. With the high level of tenancy rate in the Group's investment properties, the Group's profits during the period increased slightly over the same period last year.

Prospects

Since the September 11 events, the US economy has formally entered into a recession. The impact of the political turmoil in the Middle East and Middle Asia further slowed the already fragile global economy. As the general public's spending habit altered, coupling with the sluggish tourism industry, the retail business has been hard hit. The Hong Kong economy is facing difficult times ahead.

China's entry to the World Trade Organisation will have a positive effect on Hong Kong's development as a logistics hub for the flow of goods and for warehouse storage in the Pearl River Delta. However as the development of logistic warehouse facilities and software involves tremendous investments, the Group will embark on the logistic industry with cautious optimism.

In the second half of the year, it will be difficult to maintain a stable level of income from the godown business. However, the Group believes that the high tenancy rate in the Group's investment properties and the potential benefits presented by the mainland's entry to the World Trade Organisation will help reducing the negative impact in the godown business.

Closure of Members Register

The Register of Members of the Company will be closed from 14 January 2002 to 18 January 2002, 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 11 January 2002.

Directors' Interest in Shares

As at 30 September 2001, 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		
	Personal interests	Family interests	Corporate interests
Mr. Lu Sin	4,400,000	2,589,500	57,553,445 (Note)
Mr. Lui Chi Lung	947,884	—	—
Mr. Wong Ker Lee	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 2001, 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 2001.

Retirement of Director

Mr. Chow Ming Shan retired as a Non-executive director of the Company on 30 August 2001 for personal reasons. The Board would like to thank Mr. Chow for his valuable contribution to the Company in the past.

Liquidity and Financial Resources

The financial position of the Group remains healthy. For the period under review, the net cash generated from the Group's operating activities amounted to HK\$30.2 million. Total bank borrowings as at 30 September 2001 had reduced by HK\$33.7 million to HK\$119.1 million since 31 March 2001 and the finance cost for the period decreased by HK\$2.3 million compared to last corresponding period. The interest cover continued to improve from 5.85 times for last financial year to 8.25 times for this period.

As at 30 September 2001, the Group's liquidity ratio was 0.48 times (31.3.2001: 0.40 times) while the Group's gearing ratio calculated on the basis of the Group's net borrowings over shareholders' funds continued to improve from 12.5% at 31 March 2001 to 9.8% at 30 September 2001.

Employees

The Group employs approximately 97 employees. Employees' cost (excluding directors' emoluments) reduced by 6.5% to HK\$11,571,000 (six months ended 30.9.2000: HK\$12,379,000) for the period. The Group ensures that the pay levels of employees are competitive and salaries of employees are adjusted each year. The Group does not have any employees share option scheme.

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 2001, 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, 21 December 2001

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 6 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 "Engagement 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 2001.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong, 21 December 2001

Condensed Consolidated Income Statement

For the six months ended 30 September 2001

	Notes	Six months ended	
		30.9.2001 (unaudited) HK\$'000	30.9.2000 (unaudited) HK\$'000
Turnover	3	45,254	49,735
Other revenue	4	3,127	4,484
Staff costs		(11,571)	(12,379)
Depreciation		(2,728)	(3,337)
Net unrealised loss on trading securities		(115)	(735)
Loss on disposal of trading securities		(16)	–
Other operating expenses		(8,142)	(9,494)
Profit from operations		25,809	28,274
Finance costs		(3,130)	(5,457)
Profit before taxation		22,679	22,817
Taxation	5	(2,660)	(3,923)
Profit for the period		<u>20,019</u>	<u>18,894</u>
Dividend	6	<u>9,450</u>	<u>18,900</u>
Earnings per share	7	<u>14.8 cents</u>	<u>14.0 cents</u>

Condensed Consolidated Balance Sheet

At 30 September 2001

		30.9.2001 (unaudited) HK\$'000	31.3.2001 Restated (audited) HK\$'000
	Notes		
Non-current assets			
Investment properties	8	723,524	723,000
Property, plant and equipment	8	100,262	102,952
Investments in securities		26,685	28,370
		<u>850,471</u>	<u>854,322</u>
Current assets			
Trade and other receivables	9	10,570	10,831
Investments in securities		9,238	9,410
Taxation recoverable		233	174
Pledged bank deposits		30,000	35,000
Bank balances and cash		16,145	25,718
		<u>66,186</u>	<u>81,133</u>
Current liabilities			
Other payables		44,003	39,762
Taxation payable		4,784	2,955
Bank borrowings		89,131	152,883
		<u>137,918</u>	<u>195,600</u>
Net current liabilities		<u>(71,732)</u>	<u>(114,467)</u>
		<u>778,739</u>	<u>739,855</u>
Capital and reserves			
Share capital	10	135,000	135,000
Reserves	11	485,524	474,955
Revaluation reserves	12	124,485	126,170
		<u>745,009</u>	<u>736,125</u>
Non-current liabilities			
Bank borrowings – due after one year		30,000	–
Deferred taxation		3,730	3,730
		<u>33,730</u>	<u>3,730</u>
		<u>778,739</u>	<u>739,855</u>

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 September 2001

	Six months ended	
	30.9.2001	30.9.2000
	<i>(unaudited)</i>	<i>(unaudited)</i>
	HK\$'000	HK\$'000
Revaluation loss on investments in securities	(1,685)	(3,816)
Exchange differences arising on translation of overseas operations	—	(2)
Losses not recognised in the consolidated income statement	(1,685)	(3,818)
Profit for the period	20,019	18,894
Total recognised gains	<u>18,334</u>	<u>15,076</u>
Prior year adjustment arising from the adoption of SSAP 9 (Revised) – increase in retained profits at 1 April 2000		<u>18,900</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2001

	Six months ended	
	30.9.2001 (unaudited) HK\$'000	30.9.2000 (unaudited) HK\$'000
Net cash inflow from operating activities	30,254	27,347
Net cash outflow from returns on investments and servicing of finance	(9,623)	(14,305)
Cash outflow from taxation	(890)	–
Net cash inflow (outflow) from investing activities	4,438	(552)
Net cash inflow before financing	24,179	12,490
Net cash inflow from financing activities	50,000	–
Increase in cash and cash equivalents	74,179	12,490
Cash and cash equivalents at beginning of the period	(127,165)	(145,646)
Cash and cash equivalents at end of the period	<u>(52,986)</u>	<u>(133,156)</u>
Analysis of the balances of cash and cash equivalents:		
Bank balances and cash	16,145	19,217
Bank loans and overdrafts	(69,131)	(152,373)
	<u>(52,986)</u>	<u>(133,156)</u>

Notes to the Condensed Financial Statements

For the six months ended 30 September 2001

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 investment properties and investments in securities.

The interim financial report has been prepared in accordance with the accounting policies consistent with those adopted by the Group in its financial statements for the year ended 31 March 2001 except as described below.

In the current period, the Group has adopted, for the first time, the following revised or new SSAPs issued by the Hong Kong Society of Accountants:

Segment reporting

SSAP 26 “Segment reporting”, which has been adopted for the first time in this interim reporting period, has established principles for reporting the segmental analysis of financial information. The Group has changed the basis of identification of reporting segments to that required by SSAP 26 and segment disclosures for the six months ended 30 September 2000 have been amended so that they are presented on a consistent basis. The details are set out in Note 3.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the balance sheet date" dividends proposed or declared after the balance sheet date should not be recognized as a liability at the balance sheet date. In previous years, dividends proposed or declared after the balance sheet date were an adjusting post balance sheet event and were recognized as a liability at the balance sheet date. The effect of this change has been to increase shareholders' funds at 1 April 2000 and 31 March 2001 by HK\$18,900,000 and HK\$9,450,000 respectively. Comparative information has been restated to reflect this change in accounting policy (See note 11).

Goodwill

In accordance with SSAP 30 "Business combinations", goodwill arising from acquisition of subsidiaries should be recognized as an asset and amortised on a straight-line basis over its estimated useful life. In previous years, goodwill on the acquisition of subsidiary was written off to reserves immediately upon acquisition. The Group has elected not to restate the goodwill previously written off to reserves upon adoption of this SSAP.

Provisions

In accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets", provisions are recognized when the Group has a present obligation as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Impairment

SSAP 31 "Impairment of assets" has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets.

With the exception of SSAP 9 (Revised), the adoption of the above standards has had no material effect on amounts reported in prior years.

3. Segment Information

By Business Segments:

For the six months ended 30 September 2001

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

For the six months ended 30 September 2000

	Godown operation	Rental income	Elimin- ations	Consolid- ated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE				
External income	29,223	20,512	–	49,735
Inter-segment income	–	6,138	(6,138)	–
Total revenue	<u>29,223</u>	<u>26,650</u>	<u>(6,138)</u>	<u>49,735</u>
SEGMENT RESULT	<u>6,650</u>	<u>19,383</u>	<u>–</u>	26,033
Bank interest income				1,270
Dividend income from investment in securities				1,706
Net unrealised loss on trading securities				<u>(735)</u>
Profit from operations				<u>28,274</u>

More than 90% of the Group's turnover and profit from operations were derived from Hong Kong, and no geographical segments are presented.

4. Other revenue

Included in other revenue is bank interest income amounting to HK\$879,000 (six months ended 30.9.2000: HK\$1,270,000).

5. Taxation

	Six months ended	
	30.9.2001 HK\$'000	30.9.2000 HK\$'000
Hong Kong Profits Tax	2,660	4,046
Deferred taxation	—	(123)
	<u>2,660</u>	<u>3,923</u>

Hong Kong Profits Tax is calculated at the rate of 16% (six months ended 30.9.2000: 16%) on the estimated assessable profits for the period.

6. Dividend

	Six months ended	
	30.9.2001 HK\$'000	30.9.2000 HK\$'000
Final dividend for the year ended 31 March 2001 at 7 cents (year ended 31 March 2000: 14 cents) per ordinary share	<u>9,450</u>	<u>18,900</u>

The directors have determined that an interim dividend of 5 cents per share (six months ended 30.9.2000: 5 cents) should be paid to the shareholders of the Company.

7. Earnings per share

The calculation of earnings per share is based on the profit for the period of HK\$20,019,000 (six months ended 30.9.2000: HK\$18,894,000) and on 135,000,000 shares (six months ended 30.9.2000: 135,000,000 shares) in issue during the period.

8. Additions to investment properties and property, plant and equipment

During the period, the Group acquired HK\$524,000 (six months ended 30.9.2000: HK\$441,000) and HK\$38,000 (six months ended 30.9.2000: HK\$86,000) on its investment properties and property, plant and equipment respectively.

The directors consider that the value of the investment properties as at 30 September 2001 would not differ materially from the professional valuation made as at 31 March 2001 and, accordingly, no revaluation surplus or deficit has been recognized in the current period.

9. Trade and other receivables

The Group allows an average credit period of 60 days to its trade customers.

The following is an aged analysis of trade receivables at the reporting date:

	30.9.2001 <i>HK\$'000</i>	31.3.2001 <i>HK\$'000</i>
Trade receivables		
0 – 60 days	4,922	6,031
61 – 90 days	501	429
Over 90 days	634	335
	<hr/> 6,057	<hr/> 6,795
Other receivables	4,513	4,036
	<hr/> 10,570 <hr/>	<hr/> 10,831 <hr/>

10. Share capital

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$1 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each	<u>135,000</u>	<u>135,000</u>

There were no movements in the share capital of the Company in either the current or the prior interim reporting period.

11. Reserves

	Share premium	Translation reserve	Retained profits	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2000				
– as previously stated	43,216	39	393,834	437,089
– prior year adjustment (note 2)	–	–	18,900	18,900
– as restated	43,216	39	412,734	455,989
Exchange realignment	–	3	–	3
Profit for the year	–	–	44,613	44,613
Dividends	–	–	(25,650)	(25,650)
At 31 March 2001	43,216	42	431,697	474,955
Profit for the period	–	–	20,019	20,019
Dividends	–	–	(9,450)	(9,450)
At 30 September 2001	<u>43,216</u>	<u>42</u>	<u>442,266</u>	<u>485,524</u>

12. Revaluation Reserves

	Investment properties	Investments in securities	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April 2000	144,466	(6,874)	137,592
Revaluation decrease	(726)	(10,696)	(11,422)
At 31 March 2001	143,740	(17,570)	126,170
Revaluation decrease	–	(1,685)	(1,685)
At 30 September 2001	<u>143,740</u>	<u>(19,255)</u>	<u>124,485</u>