

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

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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		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 <i>HK\$'000</i>	Godown premises in Hong Kong under medium- term leases <i>HK\$'000</i>	Office premises in Mainland China under medium-term land use right <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 HK\$'000	31.3.2002 <i>HK\$'000</i>
Trade receivables		
0 – 60 days	4,335	3,547
61 – 90 days	517	277
Over 90 days	744	483
	<hr/> 5,596	<hr/> 4,307
Other receivables	4,799	3,892
	<hr/> 10,395	<hr/> 8,199