

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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>	<u>25,699</u>
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 HK\$'000	Property investment HK\$'000	Others HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
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>—</u>	<u>(2,538)</u>	<u>41,638</u>
SEGMENT RESULT	<u>3,412</u>	<u>23,569</u>	<u>43</u>	<u>—</u>	<u>27,024</u>
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)
Profit from operations					<u>25,924</u>

4. OTHER OPERATING INCOME

Included in other operating income are as follows:

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

5. TAXATION

	30.9.2003 (unaudited) HK\$'000	Six months ended 30.9.2002 (unaudited) (restated) 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> </u>	<u> </u>
	<u>4,182</u>	<u>3,663</u>

6. INTERIM DIVIDEND

	30.9.2003 (unaudited) HK\$'000	Six months ended 30.9.2002 (unaudited) HK\$'000
Interim dividend proposed: HK5 cents (30.9.2002: HK4 cents) per ordinary share	6,750	5,400
	<u> </u>	<u> </u>

The directors have determined that an interim dividend of HK5 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.

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.

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.

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 of 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.

OTHER INFORMATION

Full announcement of the interim results of the Group, containing the information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited, will be published on the Exchange's Website.

By Order of the Board
Wong Leung Wai
Secretary

Hong Kong, 17 December 2003