

Group Results

The Board of Directors of Safety Godown Company, Limited are pleased to announce that the unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2004 was HK\$29,975,000, representing a growth of 17.63% over the last corresponding period. Earnings per share for the period were HK22.2 cents (2003: HK18.9 cents).

Interim Dividend

The Directors have declared an interim dividend for 2004/2005 of HK7 cents per share (HK5 cents per share in 2003/2004) to shareholders whose names appear on the Register of Members of the Company on Friday 24 December 2004. The dividend will be paid on or about Thursday 30 December 2004 and the total dividend distribution for the half year amounting to HK\$9,450,000.

Business Review

The period under review has seen gradual recovery in various industries as Hong Kong benefited from external economic factors and supportive policies implemented by the central government. The godown business has regained vitality since the first quarter of the year. Another series of macroeconomic adjustments imposed in Mainland China has restricted some re-exports of goods and led to sudden increased demand for godown space. Furthermore, the effects of the Olympic Games have accelerated the flow of goods which has benefited the godown industry. Godown revenues and profits have grown 11% and 9% respectively over the same period last year.

On the investment property sector, despite the reviving economy and encouraging results of the government's land sale which stimulated the general property market and brought up office rents, the degree of increase varied in different districts. In particular, as several large-scale new commercial buildings in East Kowloon became on lease at rates lower than the market price, increase in rentals in the East Kowloon area have been limited. In other words, the Group has not benefited from the overall rental market improvement, with rental revenue reduced by 11% compared with last corresponding period. Rental business performance has slightly increased under the stringent control of operating costs.

In respect of securities investment, the stock market showed an up trend during most of the time in 2004. The Group recorded a profit of approximately HK\$8 million.

With the reduction in bank borrowings, the effective control measures on operating costs and efficient organisational structure, the Group's overall performance has improved, compared with the same period in last year.

Outlook

Considering that the effect of the macroeconomic adjustments in Mainland China will gradually ease in the second half of the year, re-exports of goods will return to normal, and so will the demand for godown space. Goods' turnover rate in the next half year will be higher than that in the period under review, and full occupancy rate of warehouses will be difficult to maintain. On the other hand, there are still uncertain factors in the global economy including the persistent high oil price and turmoil in the Middle East. However, as the Group's godowns maintain a high level of usage, the stable performance in godown business can be expected.

In view of the fierce competition in the office rental market, the Group will further upgrade its management and service standard and strive to keep the rentals at a reasonable level. It is hoped that rentals in the East Kowloon district can go up in line with the escalating office rentals in Hong Kong.

Financial Review

The Group's operating profit before borrowing costs for the six months ended 30 September 2004 amounted to HK\$33,466,000, an increase of HK\$3,228,000 or 10.68% as compared with the previous corresponding period. Total turnover of the Group, however, decreased by 4.38% to HK\$40,663,000, mainly due to the reduction in rental income generated from investment properties.

The turnover of the godown business has been boosted by booming trades as a result of strong economic recovery. Godown income grew by 10.85% from HK\$13,948,000 in the last corresponding period to HK\$15,462,000 while the operating profits contributed from the business increased by 8.97% to HK\$7,156,000.

The increase in office supply in Eastern Kowloon area had an adverse impact on the rental rates in the area. Rental income from property sector decreased by 11.82% to HK\$25,201,000. However, the Group continued to produce a generally resilient performance. Overall occupancy rate in office space improved from 87% to approximately 90% while gross profit from the sector enhanced by 2% against the last corresponding period.

Total gain from listed trading securities during the period amounted to HK\$8,147,000 (30/9/2003: HK\$6,647,000) which included gain on disposal of HK\$6,111,000 (30/9/2003: HK\$1,542,000) and unrealized holding gain of HK\$2,036,000 (30/9/2003: HK\$5,105,000). Dividend received from listed securities, primarily from long term securities investment, amounted to HK\$1,256,000 (30/9/2003: HK\$132,000).

Financial Resources and Liquidity

The Group's financial resources and liquidity remained strong as net cash generated from operations recorded at HK\$23,947,000 (30/9/2003: HK\$19,293,000), represented an increase of 24.12%. As at 30 September 2004, the Group's total cash and bank balances increased by 76.77% to HK\$64,124,000 (31/3/2004: HK\$36,276,000) while investments in trading securities increased by 68.38% to HK\$20,398,000 (31/3/2004: HK\$12,114,000). The current ratio (current assets divided by current liabilities) improved to 1.32 times from 1.02 times at the previous year end.

The Group's bank borrowings increased by HK\$11,213,000 to HK\$35,000,000 (31/3/2004: HK\$23,787,000) to take advantage of the low interest rates. Additional funds were used to finance the working capital of the Group. The gearing ratio (bank borrowings divided by shareholders funds), 3.9%, was still kept at a reasonable low level. Finance cost for the 6 month period reduced substantially to HK\$148,000 (30/9/2003: HK\$574,000).

At 30 September 2004, the Group had total assets of HK\$992,833,000 (31/3/2004: HK\$961,395,000) and shareholders' funds of HK\$905,275,000 (31/3/2004: HK\$886,081,000).

Pledge on Assets

The Group's bank deposits in the amount of HK\$20,000,000, investment properties with carrying value of HK\$720,018,000 and property, plant and equipment with carrying value of approximately HK\$5,808,000 were pledged to banks to secure bank loan and general banking facilities utilised by the Group.

Appointment and Re-designation of Directors

With effect from 28 September 2004, Mr. Oen Min Tjin was appointed as an independent non-executive director and a member of the Audit Committee of the Company, and Mr. Lee Ka Sze, Carmelo, previously as an independent non-executive director of the Company, was re-designated as a non-executive director of the Company.

Employees

During the period, the Group recorded staff costs of HK\$9,751,000, representing an increase of 4.85% from HK\$9,300,000 for the corresponding period last year. At present, the Group employs a total of 81 employees. As a company that recognises individual staff, team efforts and contributions, the Group promoted a few outstanding employees into the management level this past September, which was believed to be effective in boosting staff motivation, developing personal potential as well as reinforcing the management of the Group.

In addition to pay rise and promotion, the Group also granted double pay and special bonuses and awarded long-service medals to employees in recognition of their achievements. Moreover, the Group also subsidised its employees' self-education and supported their continuous improvements, such as organising the Advanced 5-S™ Lead Auditor (Green-belt) Management Training, the Mandatory Basic Safety Training Revalidation Course for Container Handling Industry, etc.

Directors' Interests In Securities

At 30 September 2004, 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			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 2004.

Substantial Shareholders

At 30 September 2004, 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 2004.

Closure of Members Register

The Register of Members of the Company will be closed from Wednesday 22 December 2004 to Friday 24 December 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 Tuesday 21 December 2004.

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.

Audit Committee

The Audit Committee met regularly with the management and the external auditors to consider and review the Group's financial statements and the effectiveness of its internal control system. The current Committee members comprise three independent non-executive directors, Mr. Gan Khai Choon, Mr. Lam Ming Leung and Mr. Oen Min Tjin, and one non-executive director, Mr. Lee Ka Sze, Carmelo. The Audit Committee has reviewed with the management and the external auditors the unaudited interim accounts of the Group for the six months ended 30 September 2004.

Code of Best Practice

Throughout the period, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

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, the Directors have confirmed compliance with the required standard set out in the Model Code during the six months ended 30 September 2004.

By Order of the Board

Lu Sin
Chairman

Hong Kong, 3 December 2004

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 17.

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 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 Company's 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 2004.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 3 December 2004

Condensed Consolidated Income Statement

For the six months ended 30 September 2004

	Notes	Six months ended	
		30.9.2004 (unaudited) HK\$'000	30.9.2003 (unaudited) HK\$'000
Turnover	3	40,663	42,527
Other operating income	4	9,961	7,463
Staff costs		(9,751)	(9,300)
Depreciation and amortisation		(1,995)	(1,871)
Other operating expenses		(5,412)	(8,581)
Profit from operations		33,466	30,238
Finance costs		(148)	(574)
Profit before taxation		33,318	29,664
Taxation	5	(3,343)	(4,182)
Profit for the period		<u>29,975</u>	<u>25,482</u>
Interim Dividend	6	<u>9,450</u>	<u>6,750</u>
Earnings per share – Basic	7	<u>22.2 cents</u>	<u>18.9 cents</u>

Condensed Consolidated Balance Sheet

At 30 September 2004

	<i>Notes</i>	30.9.2004 (unaudited) HK\$'000	31.3.2004 (audited) HK\$'000
Non-current assets			
Investment properties	8	823,018	823,000
Property, plant and equipment	9	45,595	47,425
Investments in securities		29,100	31,781
		897,713	902,206
Current assets			
Trade and other receivables	10	10,437	10,678
Investments in securities		20,398	12,114
Tax recoverable		161	121
Pledged bank deposits		20,000	20,000
Bank balances and cash		44,124	16,276
		95,120	59,189
Current liabilities			
Other payables		30,991	30,882
Tax payable		6,061	3,201
Bank borrowings		35,000	23,787
		72,052	57,870
Net current assets		23,068	1,319
		920,781	903,525
Capital and reserves			
Share capital		135,000	135,000
Reserves		770,275	751,081
		905,275	886,081
Non-current liabilities			
Deferred tax liabilities	11	12,302	12,150
Provision for long service payments		3,204	5,294
		15,506	17,444
		920,781	903,525

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2004

	Share capital	Share premium	Investment property revaluation reserve	Investment revaluation reserve	Translation reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003	135,000	43,216	174,549	(32,886)	42	488,832	808,753
Revaluation increase not recognised in the condensed consolidated income statement	-	-	-	8,883	-	-	8,883
Profit for the period	-	-	-	-	-	25,482	25,482
Final dividend for 2003 paid	-	-	-	-	-	(6,750)	(6,750)
At 30 September 2003	135,000	43,216	174,549	(24,003)	42	507,564	836,368
Revaluation increase not recognised in the condensed consolidated income statement	-	-	22,000	9,879	-	-	31,879
Profit for the period	-	-	-	-	-	24,584	24,584
Interim dividend for 2004 paid	-	-	-	-	-	(6,750)	(6,750)
At 31 March 2004	135,000	43,216	196,549	(14,124)	42	525,398	886,081
Revaluation decrease not recognised in the condensed consolidated income statement	-	-	-	(2,681)	-	-	(2,681)
Profit for the period	-	-	-	-	-	29,975	29,975
Final dividend for 2004 paid	-	-	-	-	-	(8,100)	(8,100)
At 30 September 2004	<u>135,000</u>	<u>43,216</u>	<u>196,549</u>	<u>(16,805)</u>	<u>42</u>	<u>547,273</u>	<u>905,275</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2004

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Net cash from operating activities	23,947	19,293
Net cash from investing activities	936	1,286
Net cash from (used in) financing activities	4,252	(14,824)
Net increase in cash and cash equivalents	29,135	5,755
Cash and cash equivalents at beginning of the period	14,989	12,808
Cash and cash equivalents at end of the period	44,124	18,563
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	44,124	19,317
Bank overdrafts	-	(754)
	44,124	18,563

Notes to the Condensed Financial Statements

For the six months ended 30 September 2004

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 Institute of Certified Public Accountants and with applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies

The condensed financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2004.

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 2004

	Godown operations	Property investment	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External income	15,462	25,201	–	40,663
Inter-segment income	–	2,538	(2,538)	–
Total	<u>15,462</u>	<u>27,739</u>	<u>(2,538)</u>	<u>40,663</u>
SEGMENT RESULT				
	<u>7,156</u>	<u>19,527</u>	<u>–</u>	<u>26,683</u>
Bank interest income				42
Dividend income from listed investments				1,256
Unrealised holding gain on listed trading securities				2,036
Gain on disposal of listed trading securities				6,111
Unallocated corporate expenses				(2,662)
Profit from operations				<u>33,466</u>

For the six months ended 30 September 2003

	Godown operations	Property investment	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER				
External income	13,948	28,579	–	42,527
Inter-segment income	–	2,538	(2,538)	–
Total	<u>13,948</u>	<u>31,117</u>	<u>(2,538)</u>	<u>42,527</u>
SEGMENT RESULT	<u>6,567</u>	<u>19,137</u>	<u>–</u>	<u>25,704</u>
Bank interest income				186
Dividend income from listed investments				132
Unrealised holding gain on listed trading securities				5,105
Gain on disposal of listed trading securities				1,542
Unallocated corporate expenses				(2,431)
Profit from operations				<u>30,238</u>

4. Other Operating Income

Included in other operating income are as follows:

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK\$'000	<i>HK\$'000</i>
Bank interest income	42	186
Dividend income from listed investments	1,256	132
Unrealised holding gain on listed trading securities	2,036	5,105
Gain on disposal of listed trading securities	<u>6,111</u>	<u>1,542</u>

5. Taxation

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax calculated at 17.5% (30.9.2003: 17.5%) of the estimated assessable profit for the period	3,191	2,724
Deferred taxation	152	1,458
	<u>3,343</u>	<u>4,182</u>

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

6. Interim Dividend

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed: HK7 cents (30.9.2003: HK5 cents) per ordinary share	<u>9,450</u>	<u>6,750</u>

The directors have determined that an interim dividend of HK7 cents per share (six months ended 30.9.2003: HK5 cents) be paid to the shareholders of the Company, whose names appear in the register of members on Friday 24 December 2004.

During the period, final dividend of HK6 cents (2003: HK5 cents) per ordinary share amounting to HK\$8,100,000 (2003: HK\$6,750,000) for the year ended 31 March 2004 was paid to the shareholders.

7. Earnings Per Share

The calculation of basic earnings per share is based on the profit for the period of HK\$29,975,000 (six months ended 30.9.2003: HK\$25,482,000) and on 135,000,000 shares (six months ended 30.9.2003: 135,000,000 shares) in issue during the period.

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

8. Investment Properties

In the opinion of the directors, the carrying value of the Group's investment properties at 30 September 2004 did not differ significantly from their market value at the same date.

9. Property, Plant and Equipment

	Godown premises in Hong Kong held under long leases <i>HK\$'000</i>	Godown premises in Hong Kong held under medium- term leases <i>HK\$'000</i>	Office premises and carparks in Mainland China held under medium-term land use right <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2004	74,498	32,975	1,668	19,977	2,536	131,654
Additions	-	-	-	165	-	165
At 30 September 2004	<u>74,498</u>	<u>32,975</u>	<u>1,668</u>	<u>20,142</u>	<u>2,536</u>	<u>131,819</u>
DEPRECIATION AND AMORTISATION						
At 1 April 2004	38,200	26,068	770	17,941	1,250	84,229
Provided for the period	<u>1,173</u>	<u>106</u>	<u>26</u>	<u>489</u>	<u>201</u>	<u>1,995</u>
At 30 September 2004	<u>39,373</u>	<u>26,174</u>	<u>796</u>	<u>18,430</u>	<u>1,451</u>	<u>86,224</u>
NET BOOK VALUES						
At 30 September 2004	<u>35,125</u>	<u>6,801</u>	<u>872</u>	<u>1,712</u>	<u>1,085</u>	<u>45,595</u>
At 31 March 2004	<u>36,298</u>	<u>6,907</u>	<u>898</u>	<u>2,036</u>	<u>1,286</u>	<u>47,425</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:

	30.9.2004 (unaudited) HK\$'000	31.3.2004 (audited) HK\$'000
Trade receivables		
Within 60 days	4,633	4,521
61-90 days	158	133
Over 90 days	341	154
	5,132	4,808
Other receivables	5,305	5,870
	10,437	10,678

11. Deferred Tax Liabilities

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

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2003	10,692	–	10,692
Charge to income statement for the period	456	–	456
Effect of change in tax rate charged to income statement	1,002	–	1,002
At 30 September 2003	12,150	–	12,150
Charge (credit) to income statement for the period	2,300	(2,300)	–
At 31 March 2004	14,450	(2,300)	12,150
Charge (credit) to income statement for the period	1,714	(1,562)	152
At 30 September 2004	16,164	(3,862)	12,302

For the purposes of balance sheet presentation, the above deferred tax assets and liabilities have been offset.

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

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