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安全貨倉有限公司

SAFETY GODOWN CO LTD

*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 237)**

## **INTERIM RESULTS ANNOUNCEMENT - 2012/2013**

### **FINANCIAL HIGHLIGHTS**

- Turnover: HK\$59,749,000, increase 9.67% (2011: HK\$54,482,000)
- Profit attributable to owners of the Company: HK\$301,834,000 (2011: HK\$107,511,000)
- Net cash position: HK\$210,042,000 (31.3.2012: HK\$170,094,000)
- Earnings per share: HK\$2.24 (2011: HK\$0.80)
- Interim dividend: HK7 cents per share (2011: HK7 cents per share) and a special dividend of HK8 cents per share (2011: HK93 cents per share)

The Board of Directors of Safety Godown Company, Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2012. These results have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Audit Committee of the Company.

The profit attributable to owners of the Company for the first half of 2012 was HK\$301,834,000 compared with the profit of HK\$107,511,000, in the same period in 2011. Earnings per share were HK\$2.24 (2011: HK\$0.80). The underlying profit attributable to owners of the Company excluding the changes in fair value of investment properties increased by 175.30% from HK\$11,931,000 in the first half of 2011 to HK\$32,846,000 for the period under review.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 September 2012*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2012</b> <b>(unaudited)</b> <i>HK\$'000</i>	30.9.2011 (unaudited) <i>HK\$'000</i> (restated)
Turnover	3	<b>59,749</b>	54,482
Income from godown operations		<b>16,990</b>	15,363
Income from property investment		<b>40,992</b>	36,270
Interest income		<b>637</b>	1,049
Dividend income		<b>1,130</b>	1,800
Fair value gain (loss) on investments held for trading		<b>591</b>	(14,917)
Other income and gains		<b>52</b>	36
Increase in fair value of investment properties		<b>268,988</b>	95,580
Staff costs		<b>(8,962)</b>	(9,702)
Depreciation of property, plant and equipment		<b>(3,493)</b>	(4,502)
Other expenses		<b>(7,717)</b>	(7,942)
Profit before taxation		<b>309,208</b>	113,035
Taxation	4	<b>(7,374)</b>	(5,524)
Profit for the period attributable to owners of the Company		<b>301,834</b>	107,511
Other comprehensive income (expense)			
Fair value gain (loss) on available-for-sale investments		<b>11,848</b>	(10,128)
Total comprehensive income for the period attributable to owners of the Company		<b>313,682</b>	97,383
Earnings per share – Basic	6	<b>HK\$2.24</b>	HK\$0.80

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2012

	<i>Note</i>	<b>30.9.2012</b> <b>(unaudited)</b> <b>HK\$'000</b>	31.3.2012 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties		2,048,400	1,775,820
Property, plant and equipment		111,146	114,394
Available-for-sale investments		34,780	22,932
Held-to-maturity investment		8,163	8,156
		<u>2,202,489</u>	<u>1,921,302</u>
<b>Current assets</b>			
Investments held for trading		52,006	74,484
Trade and other receivables	7	9,616	9,695
Tax recoverable		47	492
Bank and other deposits		139,304	88,474
Bank balances and cash		70,738	81,620
		<u>271,711</u>	<u>254,765</u>
<b>Current liabilities</b>			
Other payables		22,306	20,806
Tax payable		6,937	1,659
		<u>29,243</u>	<u>22,465</u>
<b>Net current assets</b>		<u>242,468</u>	<u>232,300</u>
		<u><u>2,444,957</u></u>	<u><u>2,153,602</u></u>
<b>Capital and reserves</b>			
Share capital		135,000	135,000
Reserves		2,246,891	1,958,859
Equity attributable to owners of the Company		<u>2,381,891</u>	<u>2,093,859</u>
<b>Non-current liabilities</b>			
Long-term deposits received		12,914	11,567
Deferred tax liabilities		47,586	45,935
Provision for long service payments		2,566	2,241
		<u>63,066</u>	<u>59,743</u>
		<u><u>2,444,957</u></u>	<u><u>2,153,602</u></u>

NOTES:

**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 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

**2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2012.

In addition, the Group has applied, for the first time, certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period except for amendments to HKAS 12 “Deferred Tax – Recovery of Underlying Assets” as the Group has early adopted the amendments to HKAS 12 in advance of their effective date (annual periods beginning on or after 1 April 2012) during the year ended 31 March 2012.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in the condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

As a result of the early application of the amendments to HKAS 12 during the year ended 31 March 2012, the Group’s investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The comparative figures of condensed consolidated statement of comprehensive income for the six months ended 30 September 2011 have been restated to reflect the change in accounting policy, with effect summarised as below:

	<i>HK\$’000</i>
Decrease in taxation of the Group and increase in profit for the six months ended 30 September 2011	14,746
	<hr/> <hr/>
	Six months ended 30.9.2011
	<i>HK\$</i>
Impact on basic earnings per share:	
Basic earnings per share before adjustment	0.69
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	0.11
	<hr/>
Reported basic earnings per share	0.80
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### 3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purposes of resource allocation and performance assessment are as follows:

Godown operations	–	Operation of godowns
Property investment	–	Leasing of investment properties
Treasury investment	–	Securities trading and investment

The following is an analysis of the Group's revenue and results by reportable and operating segments:

#### *For the six months ended 30 September 2012*

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>						
External revenue	16,990	40,992	1,767	59,749	–	59,749
Inter-segment revenue	–	2,999	–	2,999	(2,999)	–
Total	<u>16,990</u>	<u>43,991</u>	<u>1,767</u>	<u>62,748</u>	<u>(2,999)</u>	<u>59,749</u>
<b>Segment profit</b>	<u>6,524</u>	<u>35,762</u>	<u>968</u>	<u>43,254</u>	<u>–</u>	<u>43,254</u>
Increase in fair value of investment properties						268,988
Central administrative costs						<u>(3,034)</u>
Profit before taxation						<u>309,208</u>

#### *For the six months ended 30 September 2011*

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>						
External revenue	15,363	36,270	2,849	54,482	–	54,482
Inter-segment revenue	–	2,119	–	2,119	(2,119)	–
Total	<u>15,363</u>	<u>38,389</u>	<u>2,849</u>	<u>56,601</u>	<u>(2,119)</u>	<u>54,482</u>
<b>Segment profit (loss)</b>	<u>3,841</u>	<u>29,404</u>	<u>(13,203)</u>	<u>20,042</u>	<u>–</u>	<u>20,042</u>
Increase in fair value of investment properties						95,580
Central administrative costs						<u>(2,587)</u>
Profit before taxation						<u>113,035</u>

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administrative costs, directors' fees, change in fair value of investment properties, other expenses that are not directly related to the core business and income tax expenses. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

The following is an analysis of the Group's assets by reportable and operating segment:

	<b>30.9.2012</b>	31.3.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Godown operations	<b>117,702</b>	119,659
Property investment	<b>2,050,963</b>	1,779,867
Treasury investment	<b>234,750</b>	194,429
	<hr/>	<hr/>
Total segment assets	<b>2,403,415</b>	2,093,955
	<hr/> <hr/>	<hr/> <hr/>

#### 4. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	<b>5,723</b>	3,992
Deferred taxation	<b>1,651</b>	1,532
	<hr/>	<hr/>
	<b>7,374</b>	5,524
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

## 5. DIVIDENDS

	<b>Six months ended</b>	
	<b>30.9.2012</b>	30.9.2011
	<b>HK\$'000</b>	<b>HK\$'000</b>
Dividends paid:		
Final dividend paid in respect of the year ended		
31 March 2012 of HK7 cents (2011: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special dividend paid in respect of the year ended		
31 March 2012 of HK12 cents (2011: HK12 cents) per ordinary share	<b>16,200</b>	16,200
	<u>25,650</u>	<u>25,650</u>
Dividends proposed:		
Interim dividend – HK7 cents		
(six months ended 30.9.2011: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special dividend – HK8 cents		
(six months ended 30.9.2011: HK93 cents) per ordinary share	<b>10,800</b>	125,550
	<u>20,250</u>	<u>135,000</u>

Subsequent to the end of the reporting period, the directors of the Company have proposed that an interim dividend of HK7 cents per share (six months ended 30.9.2011: HK7 cents) and a special dividend of HK8 cents per share (six months ended 30.9.2011: HK93 cents) be paid to the shareholders of the Company, whose names appear in the register of members on 24 December 2012. The interim dividend and special dividend will be paid on or around 7 January 2013.

## 6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$301,834,000 (six months ended 30.9.2011: HK\$107,511,000) and on 135,000,000 (six months ended 30.9.2011: 135,000,000) shares in issue throughout the period.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue throughout both periods.

## 7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period of 60 days to its customers in respect of godown operations and 30 days for tenants. Usually, the Group issues billing in advance to its customers in respect of the property rental business.

An analysis of trade receivables by age, presented based on the billing date, is as follows:

	<b>30.9.2012</b>	31.3.2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Within 60 days	<b>6,038</b>	4,663
61 – 90 days	<b>196</b>	614
Over 90 days	<b>1</b>	4
	<hr/>	<hr/>
	<b>6,235</b>	5,281
Other receivables	<b>1,283</b>	1,120
Prepayments and deposits	<b>2,098</b>	3,294
	<hr/>	<hr/>
	<b>9,616</b>	9,695
	<hr/> <hr/>	<hr/> <hr/>

## 8. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the period was HK\$1,972,000 (six months ended 30.9.2011: HK\$2,777,000).

## 9. COMPARATIVE FIGURES

In current period, certain comparative figures have been reclassified so as to conform with the current period's presentation.



## **BUSINESS REVIEW**

The European debt crisis has persisted during the period under review. Although the Federal Reserve introduced an operation twist by ‘buying long term debt and selling short term debt’, as well as the third round of the quantitative easing monetary policy to create a low interest rate environment, the US economy has not yet recovered.

Meanwhile, China has carried out micro-control policies to restrain inflation, but its export trade was heavily affected by the global economic slowdown therefore the lack of overseas demand. Pressure on the gloomy economy has been ongoing. Hong Kong’s imports and exports were also strongly affected by weak European and American market demand, and both warehousing and logistics businesses were showing signs of slowdown. However, benefiting from the demand for storage of certain unique products, including paper materials, the Group witnessed a rise in godown rental income when compared to that of the same period last year. The occupancy rate of our investment properties was kept at 90%, rental income continues to increase steadily. The return on treasury investment remains stable.

## **OUTLOOK**

In the second half of the year, EU member countries facing financial difficulties need to work out more emergency measures as the global economic recession is projected to continue. It is estimated that after the 18th National Congress of the Communist Party of China, China will introduce measures including infrastructure investment, interest rate cuts and reserve rate reductions to stimulate the economy, thus helping recovery with the Hong Kong economy. Considering the initiation of the third round of the quantitative easing monetary policy (without time limit) and the low interest rate system has been in place for some time, hot money will flow into the property investment market, leading to rise in prices and recurrence of high inflation. This may increase the cost factor on Hong Kong’s trading and logistics industries contributory to a price competition pattern due to the slow growth of the real economy. In addition, the risks from the Sino-US and Sino-Japan trade war and uncertainties in the business and operating environment will also leave the future of godown industry in Hong Kong unpredictable.

The Group plans to apply for converting Lu Plaza from an industrial and office building into commercial/office use. The Group continues to appoint a consultancy firm and an architect to carry out necessary feasibility study and planning in accordance with the requirements of revitalization of industrial buildings policy. Based on the general costs data available in the market, it is preliminarily estimated that the conversion costs will be around HK\$150 million.

As for the godown property located in Kwok Shui Road, Kwai Chung, the Group has appointed the real estate agency to dispose the property via public tender as announced on 25 September 2012. The tendering programme has ended on 8 November 2012, and the real estate agency is conducting primary negotiations with potential buyers. The Group will publish appropriate announcement if there is any further progress in the matter.

## **FINANCIAL REVIEW**

The turnover of the Group for the first half of 2012 was HK\$59,749,000, being 9.67% higher than that in the same period last year. The Group continued to enjoy a good performance across the godown and property sectors. Profit for the period grew by 180.75% from HK\$107,511,000 in the last corresponding period to HK\$301,834,000. Excluding the fair value changes in investment properties, the underlying profit was HK\$32,846,000, an increase of 175.30% against last period.

### **Godown operations**

Turnover in godown operations grew by 10.59% to HK\$16,990,000, while profit from this sector reported an increase of 69.85% from HK\$3,841,000 to HK\$6,524,000. This is attributable to increased godown rentals and improved storage occupancy and reduction in cost in the sector.

### **Property investment**

Turnover of the Group's property rental for the first half year was HK\$40,992,000, an increase of HK\$4,722,000 or 13.02% when compared with the same period last year. Property occupancy maintained at around 90% throughout the period. However, positive rental reversion on renewals and cost saving boosted the profit contributed from property sector up by 21.62% to HK\$35,762,000.

As at 30 September 2012, the investment properties of the Group were revalued at HK\$2,048,400,000, giving rise to a fair value gain of HK\$268,988,000 in this period.

### **Treasury investment**

For the interim period under review, the sentiment in the Hong Kong stock market remained weak and trade volume shrank. Hang Seng Index only achieved a minor gain of 1.38% during the period. The Group continue to adopt a policy of prudence in managing treasury investments, and had reduced its holdings in securities investment. As at 30 September 2012, the total value of investment portfolio held for trading amounted to HK\$52,006,000 (31 March 2012: HK\$74,484,000), representing only 2.18% (31 March 2012: 3.56%) of the net asset value of the Group. Profits generated from the treasury investment segment amounted to HK\$968,000 (2011: loss of HK\$13,203,000).

As at 30 September 2012, available-for-sale investment which are securities held for long term investment purpose valued at HK\$34,780,000, representing a fair value gain of HK\$11,848,000 or an increase of 51.67% during the period. The gain was recorded in the investment revaluation reserve.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Despite payments of generous dividends in recent years, the cash balance held by the Group as at 30 September 2012 remained at a high level of HK\$210,042,000 (31 March 2012: HK\$170,094,000), which showed an increase of 23.49%. As at 30 September 2012, the Group's current assets and current liabilities were HK\$271,711,000 (31 March 2012: HK\$254,765,000) and HK\$29,243,000 (31 March 2012: HK\$22,465,000) respectively. The Group had no bank borrowings and zero gearing ratio was recorded (calculated based on total bank and other borrowings over equity). The Group demonstrated a strong financial position with healthy cash flow.

## **EXPOSURE OF FOREIGN EXCHANGE**

Certain bank balances of the Group are denominated in foreign currencies which are different from the functional currency of the entity to which they relate, and therefore the Group is exposed to foreign currency risk. At 30 September 2012, the Group's foreign currency bank deposits amounted to HK\$1,419,000 (31 March 2012: HK\$24,339,000). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

## **PLEDGE OF ASSETS**

At 30 September 2012, the Group has pledged a leasehold property with an carrying value of HK\$99,348,000 (31 March 2012: HK\$102,386,000) to a bank to secure a general banking facility to the extent of HK\$69,000,000 (31 March 2012: HK\$69,000,000) granted to the Group. At 30 September 2012, the facility was not utilised by the Group.

## **EMPLOYEES**

As at 30 September 2012, the total number of employees of the Group was 63 (31 March 2012: 64 employees), compared with 65 as at 30 September 2011. Staff cost (including directors' emoluments) decreased by 7.63% to HK\$8,962,000 (2011: HK\$9,702,000).

The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based on staff performance and results of the Group. The Group does not have any share option scheme for employees.

## **CLOSURE OF MEMBERS REGISTER**

The Register of Members of the Company will be closed from Thursday, 20 December 2012 to Monday, 24 December 2012, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 19 December 2012.

## **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 the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the "CG Code") under 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 2012 except for the deviations from the following code provisions:

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 Officer of the Company. He is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as one-third of the Board members are represented by Independent Non-executive Directors throughout the period. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term.

All the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company's Articles of Association. In view of the requirement on Director's retirement by rotation under the Articles of Association of the Company, the Directors do not consider appointment of Non-executive Directors for specific terms necessary.

## 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 Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2012.

## PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the respective websites of Hong Kong Exchanges and Clearing Limited [www.hkex.com.hk](http://www.hkex.com.hk) and of the Company [www.safetygodown.com](http://www.safetygodown.com) on 26 November 2012. The interim report for the six months ended 30 September 2012 containing all the information required by the Listing Rules will be published on the above websites and despatched to shareholders in due course.

By Order of the Board  
**Wong Leung Wai**  
*Company Secretary*

Hong Kong, 26 November 2012

As at the date of this announcement, the Board of Directors of the Company consists of:–

*Executive Directors*

Mr. Lu Sin (*Chairman and  
Managing Director*)  
Mr. Lu Wing Yee, Wayne  
Mr. Oen Min Tjin

*Non-executive Director*

Mr. Lee Ka Sze, Carmelo

*Independent Non-executive Directors*

Mr. Gan Khai Choon  
Mr. Lam Ming Leung  
Mr. Leung Man Chiu, Lawrence