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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 - 2013/2014

FINANCIAL HIGHLIGHTS

- Turnover: HK\$68,247,000, increase 14.22% (2012: HK\$59,749,000)
- Profit attributable to owners of the Company: HK\$102,507,000 (2012: HK\$301,834,000)
- Net cash position: HK\$218,127,000 (31.3.2013: HK\$208,188,000)
- Earnings per share: HK\$0.76 (2012: HK\$2.24)
- Interim dividend: HK7 cents per share (2012: HK7 cents per share) and a special dividend of HK4 cents per share (2012: HK8 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 2013. 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 shareholders for the first half of 2013 was HK\$102,507,000, while the profit for the last corresponding period was HK\$301,834,000. The earnings per share for the period was HK\$0.76 (six months ended 30 September 2012: HK\$2.24). Our recurring underlying profit excluding increase in fair value of investment properties amounted to HK\$25,013,000 (six months ended 30 September 2012: HK\$32,846,000), a decrease of 23.85% against the last corresponding period. Earnings per share based on recurring underlying profit was HK18.53 cents (six months ended 30 September 2012: HK24.33 cents).

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 September 2013

	<i>Notes</i>	Six months ended	
		30.9.2013 (unaudited) HK\$'000	30.9.2012 (unaudited) HK\$'000
Turnover	3	<u>68,247</u>	<u>59,749</u>
Income from godown operations		18,525	16,990
Income from property investment		47,115	40,992
Interest income		424	637
Dividend income		2,183	1,130
Fair value (loss) gain on investments held for trading		(10,911)	591
Other income and gains		62	52
Increase in fair value of investment properties		77,494	268,988
Staff costs		(9,332)	(8,962)
Depreciation of property, plant and equipment		(3,526)	(3,493)
Other expenses		(11,096)	(7,717)
Profit before taxation		110,938	309,208
Taxation	4	<u>(8,431)</u>	<u>(7,374)</u>
Profit for the period attributable to owners of the Company		102,507	301,834
Other comprehensive (expense) income for the period Item that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on available-for-sale investments		<u>(3,886)</u>	<u>11,848</u>
Total comprehensive income for the period attributable to owners of the Company		<u>98,621</u>	<u>313,682</u>
Earnings per share - Basic	6	<u>HK\$0.76</u>	<u>HK\$2.24</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2013

	<i>Note</i>	30.9.2013 (unaudited) <i>HK\$'000</i>	31.3.2013 (audited) <i>HK\$'000</i>
Non-current assets			
Investment properties		2,612,400	2,534,400
Property, plant and equipment		104,951	108,196
Available-for-sale investments		28,028	31,914
Held-to-maturity investment		7,267	8,164
		<u>2,752,646</u>	<u>2,682,674</u>
Current assets			
Investments held for trading		73,261	73,769
Trade and other receivables	7	10,113	8,871
Tax recoverable		18	21
Bank and other deposits		52,026	102,497
Bank balances and cash		166,101	105,691
		<u>301,519</u>	<u>290,849</u>
Current liabilities			
Other payables		27,108	23,711
Tax payable		9,416	2,540
		<u>36,524</u>	<u>26,251</u>
Net current assets		<u>264,995</u>	<u>264,598</u>
		<u>3,017,641</u>	<u>2,947,272</u>
Capital and reserves			
Share capital		135,000	135,000
Share premium and reserves		2,817,682	2,746,061
Equity attributable to owners of the Company		<u>2,952,682</u>	<u>2,881,061</u>
Non-current liabilities			
Long-term tenant's deposits received		11,233	13,910
Deferred tax liabilities		50,810	49,255
Provision for long service payments		2,916	3,046
		<u>64,959</u>	<u>66,211</u>
		<u>3,017,641</u>	<u>2,947,272</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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2013 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2013.

In the current interim period, the Group has applied, for the first time, certain new or revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for ‘fair value’ and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively and there is no significant change on fair value measurement of the Group. Disclosures of fair value information in accordance with the consequential amendment of HKAS 34 and additional disclosures in accordance with the requirements of HKFRS 13, especially relating to fair value of the Group’s investment properties, will be presented in the consolidated financial statements for the year ending 31 March 2014.

2. PRINCIPAL ACCOUNTING POLICIES - continued

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Upon application of the amendments to HKAS 1, the Group's statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Except as described above, the application of the other new or revised HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

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 resources 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 2013

	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>
Turnover						
Segment revenue	<u>18,525</u>	<u>47,115</u>	<u>2,607</u>	<u>68,247</u>	–	<u>68,247</u>
Segment profit (loss)	<u>7,026</u>	<u>42,318</u>	<u>(13,380)</u>	<u>35,964</u>	–	<u>35,964</u>
Increase in fair value of investment properties						77,494
Central administrative costs						<u>(2,520)</u>
Profit before taxation						<u>110,938</u>

3. SEGMENT INFORMATION - continued

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>
Turnover						
Segment revenue	<u>16,990</u>	<u>40,992</u>	<u>1,767</u>	<u>59,749</u>	–	<u>59,749</u>
Segment profit	<u>6,524</u>	<u>35,762</u>	<u>968</u>	<u>43,254</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>

Segment profit (loss) represents the profit earned or 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 for the purposes of resources allocation and performance assessment.

In the prior period, information relating to inter-segment transactions was presented as part of segment information. As the chief operating decision maker only reviews segment revenue and segment profit (loss) derived from external parties, certain comparative figures have been re-presented so as to conform with the current interim period's presentation.

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

	30.9.2013 <i>HK\$'000</i>	31.3.2013 <i>HK\$'000</i>
Godown operations	110,278	112,977
Property investment	2,616,488	2,536,999
Treasury investment	160,775	217,021
Total segment assets	<u>2,887,541</u>	<u>2,866,997</u>
Godown operations	3,477	4,144
Property investment	31,591	29,881
Total segment liabilities	<u>35,068</u>	<u>34,025</u>

4. TAXATION

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	6,876	5,723
Deferred taxation	1,555	1,651
	8,431	7,374

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

5. DIVIDENDS

	Six months ended	
	30.9.2013	30.9.2012
	HK\$'000	HK\$'000
Dividends paid:		
Final dividend paid in respect of the year ended		
31 March 2013 of HK7 cents (2012: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of the year ended		
31 March 2013 of HK13 cents (2012: HK12 cents) per ordinary share	17,550	16,200
	27,000	25,650
Dividends proposed:		
Interim dividend – HK7 cents		
(six months ended 30.9.2012: HK7 cents) per ordinary share	9,450	9,450
Special dividend – HK4 cents		
(six months ended 30.9.2012: HK8 cents) per ordinary share	5,400	10,800
	14,850	20,250

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 30.9.2012: HK7 cents) and a special dividend of HK4 cents per share (six months ended 30.9.2012: HK8 cents) be paid to the shareholders of the Company, whose names appear in the register of members on 24 December 2013. The interim dividend and special dividend will be paid on or around 8 January 2014.

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\$102,507,000 (six months ended 30.9.2012: HK\$301,834,000) and on 135,000,000 (six months ended 30.9.2012: 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. Before accepting any new customer, the Group will assess the potential customer's credit quality. Credit limits allowed to customers are reviewed once a year.

An analysis of trade receivables by age, presented based on the billing date, which approximate revenue recognition date, are as follows:

	30.9.2013	31.3.2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Within 60 days	6,372	5,479
61 - 90 days	350	558
Over 90 days	37	27
	<hr/>	<hr/>
	6,759	6,064
Other receivables	1,093	702
Prepayments and deposits	2,261	2,105
	<hr/>	<hr/>
	10,113	8,871
	<hr/> <hr/>	<hr/> <hr/>

8. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the period was HK\$2,005,000 (six months ended 30.9.2012: HK\$1,972,000).

BUSINESS REVIEW

After experiencing the European debt crisis and the risk of the ‘US fiscal cliff’, thanks to the low interest environment created by the continuous quantitative easing policy of the US, the world’s economy has witnessed a slow recovery in the first half of 2013.

China’s GDP growth in the first quarter was slightly lower than expectations, reflecting a slowdown in the expansion of the manufacturing industry. The Hong Kong government’s Special Stamp Duty (SSD) for the purpose of reining in the housing market has indirectly affected other economic fields, and both trade and import/export businesses were affected by a number of unfavourable factors.

However, the demand for newsprint storage has helped to maintain the Group’s godown business at a comparably stable level, and rental income increased by nearly 10% over the same period last year.

As the Group’s investment properties are, as always, run at a professional management and maintenance level, and the new and renewal rental is on a par with the market rates, the occupancy rate of Lu Plaza has been over 90%, with the total property rental income rising by 15% over the same period last year.

As for financial investment, losses were recorded due to the less satisfactory performance of some individual listed shares/securities and the Australian Dollars. Yet the Group’s cash flow is sufficient, and the overall financial status is still sound.

OUTLOOK

With the European debt crisis mitigated, agreement reached for the US debt ceilings, delayed deleveraging and debt reduction plan by the Fed and the promised low interest rate over an extended period of time, it is estimated that the economy will see a steady recovery in the second half of the year.

Mainland China is showing momentum in terms of steady and sound economic growth in the second half of the year. The growth may exceed expectations. The all-round economic reform to be carried out next year will stimulate the economic market and boost the recovery. Hong Kong’s trade and export, logistics and godown industries are expected to perform better in a generally favourable economic environment in surrounding areas.

In order to further promote the Group’s financial benefits, a previous attempt was made to dispose the godown property located at 132-140 Kwok Shui Road, Kwai Chung, New Territories by public tender in 2012, which was unsuccessful. The Group has been negotiating with potential buyers afterwards, and will announce to the public accordingly when there is any progress.

The application for revitalization and conversion of Lu Plaza to non-industrial use has been submitted to the Authority for review and approval.

FINANCIAL REVIEW

The Group's turnover for the period under review totalled HK\$68,247,000, an increase of 14.22% as compared to HK\$59,749,000 recorded last year.

Godown Operations

Revenue generated from godown operations grew by 9.03% to HK\$18,525,000 (six months ended 30 September 2012: HK\$16,990,000), which was attributable to the steady demand for logistic services from existing customer base. With increase in godown revenue and stable gross profit margin, profit derived from godown operations rose by 7.69% to HK\$7,026,000 (six months ended 30 September 2012: HK\$6,524,000) compared with the last corresponding period.

Property Investment

Rental income generated from our leasing activities amounted to HK\$47,115,000 (six months ended 30 September 2012: HK\$40,992,000), a rise of 14.94% against the last corresponding period. Profit contribution from this segment increased by 18.33% from HK\$35,762,000 to HK\$42,318,000 mainly as a result of the rise in rental rates. The occupancy level of Lu Plaza remained over 90% throughout the period.

As at 30 September 2013, the investment properties of the Group were revalued at HK\$2,612,400,000 (31 March 2013: HK\$2,534,400,000), giving rise to a fair value gain of HK\$77,494,000 (six months ended 30 September 2012: HK\$268,988,000) for the period.

Treasury Investment

Investment income from treasury investment, principally being dividend income and interest income, rose by 47.54% to HK\$2,607,000 (six months ended 30 September 2012: HK\$1,767,000). The treasury investment segment recorded a deficit of HK\$13,380,000 (six months ended 30 September 2012: profit of HK\$968,000) during the period. This was mainly contributed by the unrealised loss of HK\$9,698,000 (six months ended 30 September 2012: unrealised gain of HK\$1,973,000) on the listed securities investment.

As at 30 September 2013, the investment portfolio held for trading maintained at HK\$73,261,000 (31 March 2013: HK\$73,769,000).

LIQUIDITY AND FINANCIAL RESOURCES

The group continued to maintain a strong cash position. As at 30 September 2013, the total cash and bank balances maintained by the Group were HK\$218,127,000 (31 March 2013: HK\$208,188,000), with net cash generated from operating activities amounted to HK\$37,726,000 (six months ended 30 September 2012: HK\$69,435,000).

The Group does not have any borrowings. The current ratio maintained at a high level of 8.26 times (31 March 2013: 11.08 times), while total non-current liabilities amounted to only HK\$64,959,000 (31 March 2013: HK\$66,211,000).

EXPOSURE OF FOREIGN EXCHANGE

The Group had engaged in foreign currency investments. The foreign exchange exposure principally related to Australian dollar deposits and bonds. During the period the Group realised most of its Australian dollar bank deposits and recorded an exchange loss of about HK\$3,843,000 thereon. As at 30 September 2013, no significant foreign currency bank deposit was held by the Group (31 March 2013: Australian dollar bank deposits of HK\$41,871,000). The Group still maintained the Australian dollar bonds as at 30 September 2013.

PLEDGE OF ASSETS

The pledge was released upon the cancellation of the banking facility during the year ended 31 March 2013.

EMPLOYEES

As at 30 September 2013, the total number of employees of the Group was 63 (31 March 2013: 61 employees), compared with 63 as at 30 September 2012. Staff cost (including directors' emoluments) increased by 4.13% to HK\$9,332,000 (six months ended 30 September 2012: HK\$8,962,000).

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.

DIVIDENDS

The Directors have declared an interim dividend of HK7 cents per share (six months ended 30.9.2012: HK7 cents) and a special dividend of HK4 cents per share (six months ended 30.9.2012: HK8 cents) be paid to the shareholders of the Company, whose names appear in the register of members on 24 December 2013. The interim dividend and special dividend will be paid on or around 8 January 2014.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Friday, 20 December 2013 to Tuesday, 24 December 2013, 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 Thursday, 19 December 2013.

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.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Appendix 14 of the Corporate Governance Code (the "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 2013 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 over one-third of the Board members are represented by Independent Non-executive Directors throughout the year. 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. However, all Non-executive Directors are appointed with no specific term. Code Provision D.1.4 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment.

The Company did not have formal letters of appointment for directors. In fact, all the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association. The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provisions.

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 the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, all 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 2013.

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 and of the Company www.safetygodown.com on 28 November 2013. The interim report for the six months ended 30 September 2013 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, 28 November 2013

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

Executive Directors	Non-executive Director	Independent Non-executive Directors
Mr. Lu Sin (<i>Chairman and Managing Director</i>) Mr. Lu Wing Yee, Wayne Mr. Oen Min Tjin	Mr. Lee Ka Sze, Carmelo	Mr. Gan Khai Choon Mr. Lam Ming Leung Mr. Leung Man Chiu, Lawrence