



# SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

## INTERIM RESULTS ANNOUNCEMENT – 2002/2003

### 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 HK17.7cents (2001: HK14.8 cents).

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2002

		Six months ended	
		30.9.2002	30.9.2001
		(unaudited)	(unaudited)
	Notes	HK\$'000	HK\$'000
Turnover	3	41,638	45,254
Other operating income		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	4	(770)	(2,660)
Net profit for the period		23,837	20,019
Dividend		5,400	6,750
Earnings per share	5	17.7 cents	14.8 cents

Notes:

#### 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 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:

For the six months ended 30 September 2002

	<b>Godown operation</b>	<b>Property investment</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<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

	<b>Godown operation</b>	<b>Property investment</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<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				(16)
Profit from operations				<u>25,809</u>

### 4. TAXATION

The amount represents Hong Kong Profits Tax calculated at 16% on the estimated assessable profits for the period.

### 5. 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.

## 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.

## 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.

## 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.

## 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.

### **INDEPENDENT FINANCIAL REVIEW**

The interim financial report has been reviewed by the Group's external auditors in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Society of Accountants. The Audit Committee of the Company has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a general review of the unaudited interim financial report.

### **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, 20 December 2002