



安全貨倉有限公司

**SAFETY GODOWN
COMPANY, LIMITED**

(Incorporated in Hong Kong with limited liability)

(Stock code: 237)

**INTERIM RESULTS
ANNOUNCEMENT – 2004/2005**

HIGHLIGHTS

- Profit attributable to shareholders grew by 17.63% to HK\$29,975,000
- Turnover from godown operation increased by 10.85% to HK\$15,462,000
- Occupancy rate for investment properties improved from 87% to approximately 90%
- Interim Dividend of HK7 cents per share(2003/2004: HK5 cents)

The Board of Directors of Safety Godown Company, Limited (the “Company”) are pleased to announce that the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2004 are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2004

		Six months ended	
		30.9.2004	30.9.2003
		(unaudited)	(unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
Turnover	2	40,663	42,527
Other operating income	3	9,961	7,463
Staff costs		(9,751)	(9,300)
Depreciation and amortisation		(1,995)	(1,871)
Other operating expenses		(5,412)	(8,581)
		<hr/>	<hr/>
Profit from operations		33,466	30,238
Finance costs		(148)	(574)
		<hr/>	<hr/>
Profit before taxation		33,318	29,664
Taxation	4	(3,343)	(4,182)
		<hr/>	<hr/>
Profit for the period		29,975	25,482
		<hr/> <hr/>	<hr/> <hr/>
Interim Dividend	5	9,450	6,750
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share - Basic	6	22.2 cents	18.9 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2004

	30.9.2004 (unaudited)	31.3.2004 (audited)
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets		
Investment properties	823,018	823,000
Property, plant and equipment	45,595	47,425
Investments in securities	29,100	31,781
	<hr/> 897,713 <hr/>	<hr/> 902,206 <hr/>
Current assets		
Trade and other receivables	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
	<hr/> 95,120 <hr/>	<hr/> 59,189 <hr/>
Current liabilities		
Other payables	30,991	30,882
Tax payable	6,061	3,201
Bank borrowings	35,000	23,787
	<hr/> 72,052 <hr/>	<hr/> 57,870 <hr/>
Net current assets	<hr/> 23,068 <hr/>	<hr/> 1,319 <hr/>
	<hr/> 920,781 <hr/>	<hr/> 903,525 <hr/>

Capital and reserves

Share capital	135,000	135,000
Reserves	770,275	751,081
	<u>905,275</u>	<u>886,081</u>

Non-current liabilities

Deferred tax liabilities	12,302	12,150
Provision for long service payments	3,204	5,294
	<u>15,506</u>	<u>17,444</u>
	<u>920,781</u>	<u>903,525</u>

NOTES:**1. PRINCIPAL ACCOUNTING POLICIES**

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. The interim financial report of the Group for the half year ended 30 September 2004 has also been reviewed by the auditors, Messrs. Deloitte Touche Tohmatsu, in accordance with the Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants and an unmodified review conclusion has been issued.

2. SEGMENT INFORMATION

The Group is currently organised into two operation divisions - godown operations and property investment.

For the six months ended 30 September 2004

	Godown operations <i>HKS'000</i>	Property investment <i>HKS'000</i>	Eliminations <i>HKS'000</i>	Consolidated <i>HKS'000</i>
TURNOVER				
External income	15,462	25,201	–	40,663
Inter-segment income	–	2,538	(2,538)	–
	<u>15,462</u>	<u>27,739</u>	<u>(2,538)</u>	<u>40,663</u>
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)
				<u>33,466</u>
Profit from operations				<u>33,466</u>

For the six months ended 30 September 2003

	Godown operations <i>HKS'000</i>	Property investment <i>HKS'000</i>	Eliminations <i>HKS'000</i>	Consolidated <i>HKS'000</i>
TURNOVER				
External income	13,948	28,579	–	42,527
Inter-segment income	–	2,538	(2,538)	–
	<u>13,948</u>	<u>31,117</u>	<u>(2,538)</u>	<u>42,527</u>
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>

3. OTHER OPERATING INCOME

Included in other operating income are as follows:

	Six months ended	
	30.9.2004 (unaudited) HK\$'000	30.9.2003 (unaudited) HK\$'000
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>

4. TAXATION

	Six months ended	
	30.9.2004 (unaudited) HK\$'000	30.9.2003 (unaudited) 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	<u>152</u>	<u>1,458</u>
	<u>3,343</u>	<u>4,182</u>

5. INTERIM DIVIDEND

	Six months ended	
	30.9.2004	30.9.2003
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Interim dividend proposed: HK7 cents (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) shall be paid to the shareholders of the Company, whose names appear in the register of members on Friday 24 December 2004.

6. 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.

7. 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	31.3.2004
	(unaudited)	(audited)
	HK\$'000	HK\$'000
Trade receivables		
Within 60 days	4,633	4,521
61-90 days	158	133
Over 90 days	341	154
	<u>5,132</u>	<u>4,808</u>
Other receivables	5,305	5,870
	<u>10,437</u>	<u>10,678</u>

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.

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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be published on the Exchange's Website in due course.

By Order of the Board
Wong Leung Wai
Secretary

Hong Kong, 3 December 2004

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

	Independent	
Executive Director	Non-executive Director	Non-executive Director
Mr. Lu Sin (Chairman)	Mr. Gan Khai Choon	Mr. Lu Yong Lee
Mr. Lui Chi Lung	Mr. Lam Ming Leung	Mr. Lee Ka Sze, Carmelo
	Mr. Oen Min Tjin	