



SAFETY GODOWN COMPANY, LIMITED

安全貨倉有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 237)

ANNUAL RESULTS ANNOUNCEMENT – 2006/2007

The Board of Directors of Safety Godown Company, Limited (the “Company”) is pleased to announce that the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2007 are as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Revenue	3	<u>154,176</u>	<u>142,402</u>
Income from godown operations		30,797	30,769
Income from property investment		58,540	51,816
Gains on investments			
Fair value gain on investments held for trading		7,730	14,701
Gain on disposals of available-for-sale investments		10,986	–
Interest income		2,975	1,828
Dividend income		2,827	2,404
Other income		2,679	1,281
Increase in fair value of investment properties		142,500	133,600
Staff costs		(20,294)	(19,868)
Depreciation of property, plant and equipment		(3,595)	(3,514)
Release of prepaid lease payments		(441)	(441)
Other expenses		(11,047)	(11,410)
Finance costs		–	(134)
Profit before taxation	5	<u>223,657</u>	201,032
Taxation	6	<u>(36,952)</u>	(33,605)
Profit for the year attributable to shareholders		<u>186,705</u>	<u>167,427</u>
Dividends	7		
Paid		<u>21,600</u>	<u>18,900</u>
Proposed		<u>20,250</u>	<u>12,150</u>
Earnings per share – Basic	8	<u>HK\$1.38</u>	<u>HK\$1.24</u>

CONSOLIDATED BALANCE SHEET

At 31 March 2007

	<i>Note</i>	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
NON-CURRENT ASSETS			
Investment properties		1,189,500	1,047,000
Property, plant and equipment		16,176	18,408
Prepaid lease payments		21,275	21,716
Available-for-sale investments		45,669	69,189
		1,272,620	1,156,313
CURRENT ASSETS			
Prepaid lease payments		441	441
Investments held for trading		21,519	24,673
Trade and other receivables	9	10,359	14,811
Tax recoverable		1,074	69
Bank balances and cash		144,398	75,842
		177,791	115,836
CURRENT LIABILITIES			
Other payables		27,909	26,359
Provision for legal claims		–	9,672
Tax payable		1,653	2,449
		29,562	38,480
NET CURRENT ASSETS			
		148,229	77,356
		1,420,849	1,233,669
CAPITAL AND RESERVES			
Share capital		135,000	135,000
Reserves		1,157,338	1,001,873
		1,292,338	1,136,873
NON-CURRENT LIABILITIES			
Deferred tax liabilities		126,236	94,825
Provision for long service payments		2,275	1,971
		128,511	96,796
		1,420,849	1,233,669

Notes:-

1. BASIS OF PREPARATION

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

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and by the Hong Kong Companies Ordinance.

2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a new standard and a number of amendments and interpretations (“new HKFRSs”) issued by the HKICPA that are effective for the financial year of the Group and the Company beginning on 1 April 2006. The adoption of the new HKFRSs has had no material effect on how the results and the financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group and the Company have not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material effect on the results and the financial position of the Group and the Company.

HKAS 1 (Amendment)	Capital Disclosures ¹
HKAS 23 (Revised)	Borrowing Costs ⁷
HKFRS 7	Financial Instruments: Disclosures ¹
HKFRS 8	Operating Segments ⁷
HK(IFRIC) – Int 8	Scope of HKFRS 2 ²
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives ³
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment ⁴
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions ⁵
HK(IFRIC) – Int 12	Service Concession Arrangements ⁶

¹ Effective for annual periods beginning on or after 1 January 2007

² Effective for annual periods beginning on or after 1 May 2006

³ Effective for annual periods beginning on or after 1 June 2006

⁴ Effective for annual periods beginning on or after 1 November 2006

⁵ Effective for annual periods beginning on or after 1 March 2007

⁶ Effective for annual periods beginning on or after 1 January 2008

⁷ Effective for annual periods beginning on or after 1 January 2009

3. REVENUE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Income from godown operations	30,797	30,769
Income from property investment	58,540	51,816
Proceeds from sales of investments held for trading	59,037	55,585
Dividend income from listed investments	2,827	2,404
Interest income	2,975	1,828
	<u>154,176</u>	<u>142,402</u>

4. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – godown operations, property investment and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

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

Segment information about these businesses is presented below:

For the year ended 31 March 2007

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External income	30,797	58,540	64,839	–	154,176
Inter-segment income	–	5,676	–	(5,676)	–
Total	<u>30,797</u>	<u>64,216</u>	<u>64,839</u>	<u>(5,676)</u>	<u>154,176</u>

Inter-segment income is charged based on market/concessionary rates.

Segment result	<u>12,850</u>	<u>191,833</u>	<u>24,009</u>	<u>–</u>	228,692
Unallocated corporate expenses					<u>(5,035)</u>
Profit before taxation					223,657
Taxation					<u>(36,952)</u>
Profit for the year attributable to shareholders					<u>186,705</u>

For the year ended 31 March 2006

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External income	30,769	51,816	59,817	–	142,402
Inter-segment income	–	5,676	–	(5,676)	–
Total	<u>30,769</u>	<u>57,492</u>	<u>59,817</u>	<u>(5,676)</u>	<u>142,402</u>

Inter-segment income is charged based on market/concessionary rates.

Segment result	<u>12,514</u>	<u>177,267</u>	<u>17,802</u>	<u>–</u>	207,583
Unallocated corporate expenses					(6,417)
Finance costs					(134)
Profit before taxation					201,032
Taxation					(33,605)
Profit for the year attributable to shareholders					<u>167,427</u>

5. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	658	650
and after crediting:		
Gross rental income from investment properties	58,540	51,816
Less: direct operating expenses from investment properties that generated rental income during the year	<u>(2,590)</u>	<u>(4,520)</u>
Net rental income	55,950	47,296
Dividend income from listed securities		
– Available-for-sale investments	1,767	1,605
– Investments held for trading	1,060	799
Gain on disposal of property, plant and equipment	84	–
Interest income	<u>2,975</u>	<u>1,828</u>

6. TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,490	5,747
Under(over)provision in prior years	51	(597)
	<u>5,541</u>	<u>5,150</u>
Deferred taxation	31,411	28,455
	<u>36,952</u>	<u>33,605</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

7. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid in respect of 2007 – HK7 cents (2006: HK7 cents) per ordinary share	9,450	9,450
Final dividend paid in respect of 2006 – HK7 cents (2005: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2006 – HK2 cents (2005: nil) per ordinary share	2,700	–
	<u>21,600</u>	<u>18,900</u>
Dividend proposed:		
Final dividend – HK7 cents (2006: HK7 cents) per ordinary share	9,450	9,450
Special dividend – HK8 cents (2006: HK2 cents) per ordinary share	10,800	2,700
	<u>20,250</u>	<u>12,150</u>

8. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$186,705,000 (2006: HK\$167,427,000) and on 135,000,000 shares in issue throughout both years.

No diluted earnings per share has been presented as there were no dilutive potential ordinary shares in issue in both years.

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60 days to its trade customers.

The aged analysis of trade customers of the Group are as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Trade receivables		
Within 60 days	4,269	4,777
61-90 days	102	708
Over 90 days	334	183
	<hr/>	<hr/>
	4,705	5,668
Other receivables	5,654	9,143
	<hr/>	<hr/>
	10,359	14,811
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DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of 7 cents per share and a special dividend of 8 cents per share for the year ended 31 March 2007, amounting to HK\$20,250,000, to shareholders whose names appear on the register of members on 24 August 2007 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final and special dividend will be despatched to shareholders on or about 31 August 2007. Together with the interim dividend of 7 cents per share already paid, the total distribution for the year ended 31 March 2007 will be 22 cents per share. Total distribution for the previous year was 16 cents per share.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 24 August 2007. The notice of Annual General Meeting will be published on the website of the Stock Exchange at www.hkex.com.hk and on the website of the Company at www.safetygodown.com and despatched to the shareholders in due course as required by the Listing Rules.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 22 August 2007 to Friday, 24 August 2007, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 21 August 2007.

BUSINESS REVIEW

Godown operation

During the review period, the growth rate of the Hong Kong economy was higher than expected. This was mainly the result of a combination of factors such as the decrease in oil price in the second half of the year, the stable US interest rate, moderate inflation, increased trade in the Mainland China and the Asia Pacific Region and the strong local demand, particularly the active financial market and a thriving stock market. All these offset the adverse effects brought about by the weak US market on the overall performance of Hong Kong's exports.

With the support of the above positive factors, the business environment of the logistics and storage industries in Hong Kong remained stable. The occupancy rate of the Group's godown remained steady and the annual performance was comparable to that of the previous year.

Property investment

Riding on the upward trend of the continuous growth of the Hong Kong economy from last year, together with the favourable result in the sale of land by the Government in the first quarter of this year, the rent of Grade A commercial premises increased. Quite a number of tenants moved to rental premises of good quality in the non-core districts, such as Eastern Hong Kong Island and Eastern Kowloon. The Group is thus enjoying a satisfactory growth in the occupancy rate for both godown and office premises. The rent has also been adjusted according to the common increase in rent in the market. Therefore, revenues derived from rent increased compared with last year.

OUTLOOK

Godown operation

The chances of the US interest rate decreasing in the second half of the year are very slim. On the contrary, there is a high chance that the interest rate will increase. The environment of low interest rates may disappear. The global (including Mainland China) inflation rates are elevating, which means Hong Kong is facing keener competition with the Mainland China and foreign markets. In particular, the facilities of the large ports in the Mainland China are expanding at high speed, which facilitates the development of the logistics industry. This is further weakening Hong Kong's status as a re-export port. Goods are likely to stay in Hong Kong for a shorter period, making the godown business more difficult to operate.

Nevertheless, the external investment environment is still healthy in general. The appreciation of the Renminbi has cut the investment costs of mainlanders investing in Hong Kong. The widening of the QDII (Qualified Domestic Institutional Investors) investment scope will further boost the Hong Kong financial market and stimulate the desire of foreign investors to invest in Hong Kong, bringing prosperity to various sectors, including the logistics and storage industries. The successive redevelopment of industrial buildings will tighten the supply and push up the demand for godowns. In view of the favourable and unfavourable factors, we hope the godown business of the Group will remain stable.

Property investment

The Group will continue to lease part of its godown premises to ensure a steady growth in rental income. The construction of a number of large high-quality office buildings in Hong Kong, particularly in Eastern Kowloon, will be completed soon. The big increase in supply will certainly put pressure on the leasing of Lu Plaza. In order to secure a stable occupancy rate and rental income in the years ahead, the Group will further upgrade the quality of its management service in Lu Plaza and will adjust the leasing strategy and rental rates timely according to market changes.

RESULTS

The total revenue of the Group was HK\$154,176,000, an increase of 8.3% compared with that of the year 2006. The increase in revenue was primarily due to the higher rental income received from the Group's investment properties and the good performance achieved in treasury investments.

The profit attributable to shareholders of the Company for the year 2007 was HK\$186,705,000, representing a rise of 11.5% compared with HK\$167,427,000 recorded in last year. Earnings per share amounted to HK\$1.38 (2006: HK\$1.24). The increase in profit for the year was mainly attributable to:-

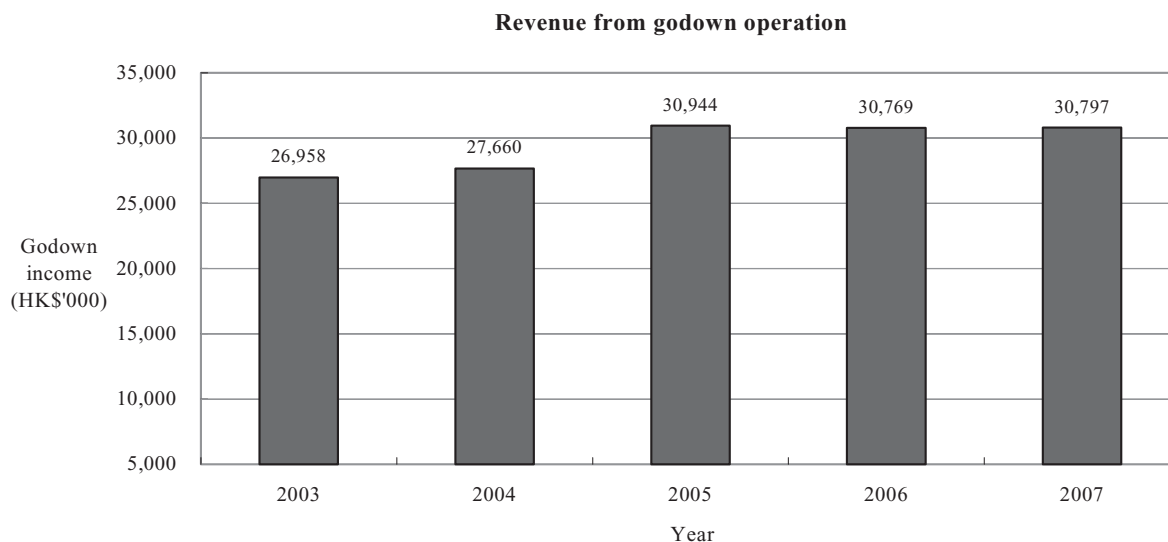
- (a) rise of rental income received from the Group's property rental business;
- (b) increased gain from treasury investments; and
- (c) increase in fair value of the Group's investment properties.

Profit for the year excluding unrealised fair value gain on investment properties of HK\$142,500,000 (2006: HK\$133,600,000) amounted to HK\$44,205,000 (2006: HK\$33,827,000), reflecting an increase of 30.7% compared with last year.

SEGMENTAL INFORMATION

Godown operation

Revenue of godown operation remain stable during the year with the amount kept at HK\$30,797,000 (2006: HK\$30,769,000). Occupancy rate of the godown remains at a high level. Profit generated from the godown operation continued to improve slightly by 2.7% to HK\$12,850,000 (2006: HK\$12,514,000) despite higher staff costs and pay rises due to change in labour market. The increase in profit was brought about by streamlining our godown operation and improvement in efficiency.

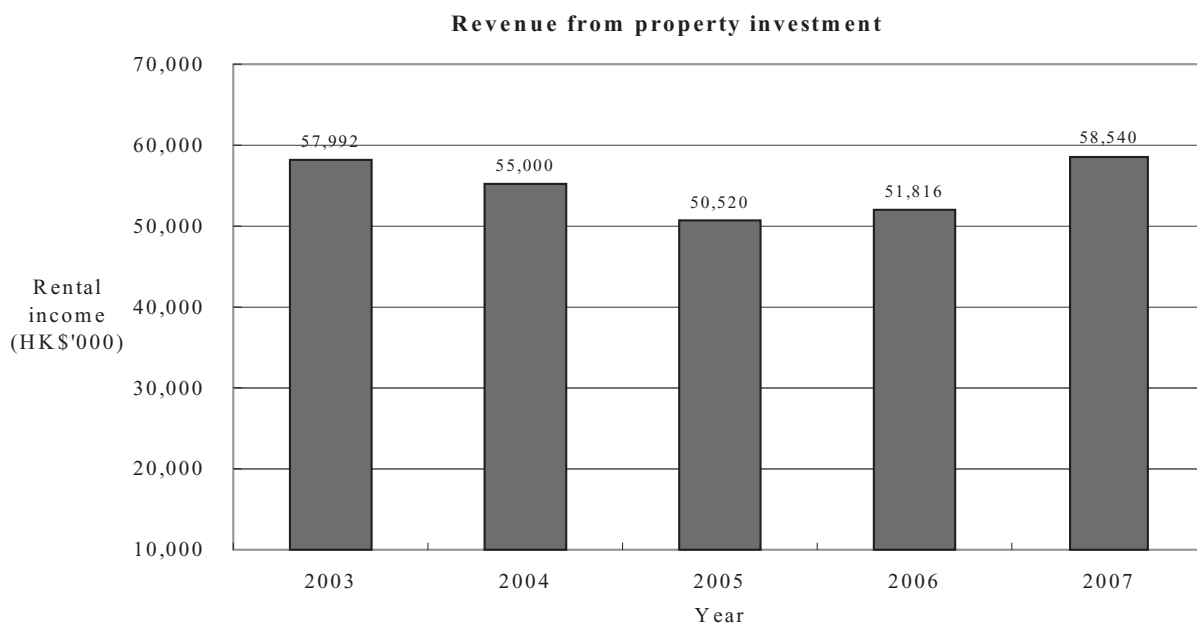


The chart shows the stable income stream generated from godown operation during the past 5 years.

Property investment

The Group continued to enjoy a high occupancy rate in Lu Plaza throughout the year ended 31 March 2007. Higher rents were achieved through both new and renewal tenancies. Total rental income received rose to HK\$58,540,000, representing a significant increase of 13% over last year. Profit from property rental business increased by 8.2% to HK\$191,833,000 (2006: HK\$177,267,000). Excluding the unrealised fair value gain on investment properties, the profit grew by 13% to HK\$49,333,000 (2006: HK\$43,667,000).

As at 31 March 2007, the investment properties of the Group were revalued at HK\$1,189,500,000 (2006: HK\$1,047,000,000) by independent professional valuers. An increase in fair value of HK\$142,500,000 (2006: HK\$133,600,000) was recorded, showing the booming condition of Hong Kong commercial and industrial property market during the year. All the investment properties are located in Hong Kong.



The chart shows the stable rental income stream achieved by the Group during the past 5 years.

Treasury investment

During the year under review, the treasury segment showed increases in both revenue and profits. Revenue grew by 8.4% to HK\$64,839,000 (2006: HK\$59,817,000) and profits rose by 34.9% to HK\$24,009,000 (2006: HK\$17,802,000) for the year. The main reason for the marked increase in profit was due to thriving stock market during the year.

The investment objective of the Group is to preserve the Group's capital while ensuring a return on capital over a period of time. The Group has formulated and followed disciplined investment guidelines and policies for treasury investments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the shareholders' funds amounted to HK\$1,292,338,000 or HK\$9.57 per share, representing an increase of HK\$155,465,000 or 13.7% from that of 31 March 2006.

The Group's bank balances and cash amounted to HK\$144,398,000 (2006: HK\$75,842,000). Current assets amounted to HK\$177,791,000 (2006: HK\$115,836,000) while current liabilities amounted to HK\$29,562,000 (2006: HK\$38,480,000). The Group did not have any bank loan during the year. The Group's primary source of financing for its operations during the year was cash flow generated from operating activities. Current ratio as at 31 March 2007 was 6.01 times (2006: 3.01 times) which indicate that the Group maintains a strong financial position.

Cash generated from operation during the year was HK\$66,569,000 (2006: HK\$69,997,000), reflecting a strong business performance. Net cash generating from investing activities was HK\$23,039,000 (2006: HK\$15,267,000).

FINANCIAL RISK AND MANAGEMENT

While the Group derives its revenue mainly in HK dollars, cash balances and marketable securities are maintained mainly in HK dollars, the Group's exposure to fluctuations in foreign currency is minimal. Available-for-sale investments and held-for-trading investments are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factors affecting the value of these financial instruments. The Group will continue to adopt a disciplined approach to financial and investment risk management.

PLEDGE OF ASSETS

At 31 March 2007, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$1,015,000,000 (2006: HK\$898,000,000) and HK\$5,333,000 (2006: HK\$5,523,000), respectively, to banks to secure general banking facilities to the extent of HK\$72,000,000 (2006: HK\$72,000,000) granted to the Group. At 31 March 2006 and 2007, no such facilities were utilised by the Group.

EMPLOYEES

As at 31 March 2007, the Group employed approximately 78 employees. Total staff costs amounted to approximately HK\$20,294,000 for the year ended 31 March 2007 (2006: HK\$19,868,000). 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 upon staff performance and profits of the Group. The Group does not have any share option scheme for employees.

DIVIDEND POLICY

It is the Company's intention to provide shareholders with relatively consistent dividend income over the long term. The Company maintained a stable dividend payment over the last 5 years and the dividend payout ratio each year exceeded 25% of the profit attributable to shareholders.

CONTINGENT LIABILITIES

At 31 March 2006, two outstanding unresolved litigations were outstanding, and had the following development during the year.

- (a) One outstanding unresolved litigation was brought against the Group relating to disputable income received by the Group. During the year, the case was settled out of court, and the claims were fully paid by the Group.
- (b) Another outstanding unresolved litigation was brought against the Group relating to the loss of storage goods. In April 2005, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group had appealed against the judgment of the Court of First Instance at the Court of Appeal. On 4 April 2006, the Court of Appeal upheld the judgment of the Court of First Instance and the claims were fully paid by the Group.

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 year.

AUDIT COMMITTEE

The principal duties of the Audit Committee include the review of the financial reporting, internal control and risk management systems of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

The Audit Committee comprises three Independent Non-executive Directors and one Non-executive Director. The Committee is chaired by Mr. Gan Khai Choon. The other members are Mr. Lam Ming Leung, Mr. Leung Man Chiu, Lawrence and Mr. Lee Ka Sze, Carmelo. Both Mr. Gan and Mr. Leung possessed appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

The Audit Committee has reviewed with the management and the external auditors the audited annual accounts of the Group for the year ended 31 March 2007.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules throughout the year ended 31 March 2007 except for the deviations from the code provision A.2.1.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separated 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.

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness in accordance with the code provision C.2 of the Listing Rules.

During the year, the Group has conducted a general review of its system of internal control and the various aspects of its risk management function and the directors are satisfied that it is operating effectively.

Detailed information on the Company's corporate governance practices is set out in the corporate governance report included in the Company's annual report for the year ended 31 March 2007 to be despatched to the shareholders in due course.

OTHER INFORMATION

This announcement will be published on the respective websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.safetygodown.com) on 13 July 2007. The annual report for the year ended 31 March 2007 containing all the information required by the Listing Rules will be published on the website of the Company and the Stock Exchange and despatched to shareholders in due course.

By Order of the Board
Wong Leung Wai
Secretary

Hong Kong, 13 July 2007

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

Lu Sin	<i>Chairman and Managing Director</i>
Lui Chi Lung	<i>Executive Director</i>
Oen Min Tjin	<i>Executive Director</i>
Lu Yong Lee	<i>Non-executive Director</i>
Lee Ka Sze, Carmelo	<i>Non-executive Director</i>
Gan Khai Choon	<i>Independent Non-executive Director</i>
Lam Ming Leung	<i>Independent Non-executive Director</i>
Leung Man Chiu, Lawrence	<i>Independent Non-executive Director</i>