



# 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-2007/2008

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 2008 are as follows:

#### CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 March 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	3	<u>100,001</u>	<u>95,139</u>
Income from godown operations		26,507	30,797
Income from property investment		66,981	58,540
Gains on investments			
Fair value gain on investments held for trading		11,404	7,730
Gain on disposals of available-for-sale investments		11,419	10,986
Interest income		5,049	2,975
Dividend income		1,464	2,827
Other income		11,632	2,679
Increase in fair value of investment properties		95,000	142,500
Staff costs		(21,487)	(20,294)
Depreciation of property, plant and equipment		(2,827)	(3,595)
Release of prepaid lease payments		(412)	(441)
Other expenses		<u>(11,000)</u>	<u>(11,047)</u>
Profit before taxation	5	193,730	223,657
Taxation	6	<u>(32,047)</u>	<u>(36,952)</u>
Profit for the year attributable to shareholders		<u>161,683</u>	<u>186,705</u>
Dividends	7		
Paid		<u>33,750</u>	<u>21,600</u>
Proposed		<u>20,250</u>	<u>20,250</u>
Earnings per share – Basic	8	<u>HK\$1.20</u>	<u>HK\$1.38</u>

# CONSOLIDATED BALANCE SHEET

At 31 March 2008

	<i>Note</i>	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>1,372,200</b>	1,189,500
Property, plant and equipment		<b>10,014</b>	16,176
Prepaid lease payments		<b>10,717</b>	21,275
Available-for-sale investments		<b>32,997</b>	45,669
		<b>1,425,928</b>	1,272,620
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>227</b>	441
Investments held for trading		<b>11,056</b>	21,519
Trade and other receivables	9	<b>7,866</b>	10,359
Tax recoverable		<b>546</b>	1,074
Bank balances and cash		<b>235,936</b>	144,398
		<b>255,631</b>	177,791
<b>CURRENT LIABILITIES</b>			
Other payables		<b>31,142</b>	27,909
Tax payable		<b>4,247</b>	1,653
		<b>35,389</b>	29,562
<b>NET CURRENT ASSETS</b>			
		<b>220,242</b>	148,229
		<b>1,646,170</b>	1,420,849
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>135,000</b>	135,000
Reserves		<b>1,347,277</b>	1,157,338
		<b>1,482,277</b>	1,292,338
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>161,356</b>	126,236
Provision for long service payments		<b>2,537</b>	2,275
		<b>163,893</b>	128,511
		<b>1,646,170</b>	1,420,849

Notes:-

## 1. BASIS OF PREPARATION

The 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 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”) and the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations (“new HKFRSs”) issued by the HKICPA, which are effective for the Group’s and the Company’s financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of the new HKFRSs. However, as a result of the adoption of HKFRS 7 “Financial Instruments: Disclosures” and the amendment to HKAS 1 “Capital Disclosures”, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group’s financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 “Financial Instruments: Disclosure and Presentation”. These disclosures are provided throughout these financial statements.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group’s and the Company’s objectives, policies and processes for managing capital.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

The application of the remaining new HKFRSs has had no material effect on how the financial statements 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 and revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

HKAS 1 (Revised)	Presentation of Financial Statements <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>1</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>2</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>1</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>1</sup>
HKFRS 3 (Revised)	Business Combinations <sup>2</sup>
HKFRS 8	Operating Segments <sup>1</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>3</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>4</sup>
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction <sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2009

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2009

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2008

### 3. TURNOVER

Turnover represents the following revenue recognised during the year:

	<b>2008</b>	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations	<b>26,507</b>	30,797
Income from property investment	<b>66,981</b>	58,540
Dividend income from listed investments	<b>1,464</b>	2,827
Interest income	<b>5,049</b>	2,975
	<b>100,001</b>	95,139

### 4. SEGMENT INFORMATION

#### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As more than 90% of the business operations of the Group are located in Hong Kong, geographical segment information is not presented in these financial statements.

#### Business segment

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, and placing of bank deposits

Segment information about these businesses is presented below:

**For the year ended 31 March 2008**

	<b>Godown operations</b>	<b>Property investment</b>	<b>Treasury investment</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>					
External revenue	26,507	66,981	6,513	–	100,001
Inter-segment revenue	–	5,676	–	(5,676)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>26,507</b>	<b>72,657</b>	<b>6,513</b>	<b>(5,676)</b>	<b>100,001</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inter-segment revenue is charged based on market/concessionary rates.					
<b>Segment result</b>	<b>7,785</b>	<b>151,897</b>	<b>37,916</b>	<b>–</b>	<b>197,598</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unallocated corporate expenses					(4,864)
Gain on deregistration of a subsidiary					996
					<hr/>
Profit before taxation					193,730
Taxation					(32,047)
					<hr/>
Profit for the year attributable to shareholders					<b>161,683</b>
					<hr/> <hr/>

**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>
<b>Turnover</b>					
External revenue	30,797	58,540	5,802	-	95,139
Inter-segment revenue	-	5,676	-	(5,676)	-
Total	<u>30,797</u>	<u>64,216</u>	<u>5,802</u>	<u>(5,676)</u>	<u>95,139</u>

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

<b>Segment result</b>	<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>

**5. PROFIT BEFORE TAXATION**

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	<b>690</b>	658
Impairment loss recognised on trade receivables	<b>61</b>	-
and after crediting:		
Gross rental income from investment properties	<b>66,981</b>	58,540
Less: direct operating expenses from investment properties that generated rental income during the year	<u><b>(1,800)</b></u>	<u>(2,590)</u>
Net rental income	<b>65,181</b>	55,950
Dividend income from listed securities		
– available-for-sale investments	<b>1,058</b>	1,767
– investments held for trading	<b>406</b>	1,060
Gain on disposal of property, plant and equipment	<b>313</b>	84
Gain on deregistration of a subsidiary	<b>996</b>	-
Interest income on financial assets not at fair value through profit or loss	<b>5,049</b>	2,975
Exchange gains, net	<u><b>8,823</b></u>	<u>-</u>

## 6. TAXATION

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	<b>8,838</b>	5,490
(Over)underprovision in prior years	<b>(36)</b>	51
The People's Republic of China ("PRC") Enterprise Income Tax		
Underprovision in prior years	<b>1,158</b>	–
	<b>9,960</b>	5,541
Deferred taxation	<b>22,087</b>	31,411
	<b>32,047</b>	<b>36,952</b>

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

Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

## 7. DIVIDENDS

	<b>2008</b> <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interim dividend paid in respect of 2008 – HK7 cents (2007: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special interim dividend paid in respect of 2008 – HK3 cents (2007: nil) per ordinary share	<b>4,050</b>	–
Final dividend paid in respect of 2007 – HK7 cents (2006: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special dividend paid in respect of 2007 – HK8 cents (2006: HK2 cents) per ordinary share	<b>10,800</b>	2,700
	<b>33,750</b>	<b>21,600</b>
Dividend proposed:		
Final dividend – HK7 cents (2007: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special dividend – HK8 cents (2007: HK8 cents) per ordinary share	<b>10,800</b>	10,800
	<b>20,250</b>	<b>20,250</b>

A final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK8 cents per share, amounting to HK\$10,800,000, for the year have been proposed by the directors, subject to the approval by shareholders in the forthcoming annual general meeting.

## 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\$161,683,000 (2007: HK\$186,705,000) 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 and the Company have a policy of allowing credit period of 60 days to its customers in respect of godown operations. Usually, the Group issues billing in advance to its customers in respect of the property investment business.

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

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Trade receivables		
Within 60 days	3,112	4,269
61-90 days	426	102
Over 90 days	71	334
	<hr/>	<hr/>
	3,609	4,705
Other receivables	2,680	4,066
Prepayments and deposits	1,577	1,588
	<hr/>	<hr/>
	<b>7,866</b>	<b>10,359</b>
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## DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK8 cents per share amounting to HK\$10,800,000 for the year ended 31 March 2008, to shareholders whose names appear on the register of members on 22 August 2008 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 29 August 2008. Together with the interim dividend of HK7 cents per share and a special interim dividend of HK3 cents per share already paid, the total distribution for the year ended 31 March 2008 will be HK25 cents per share. Total distribution for the previous year was HK22 cents per share.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 22 August 2008. The notice of Annual General Meeting will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.safetygodown.com](http://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, 20 August 2008 to Friday, 22 August 2008, 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, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 19 August 2008.

## **BUSINESS REVIEW**

### **Godown operation**

The economies of China and the US continued to grow during the first half of 2007. China's economy in particular has maintained a strong and healthy momentum, providing Hong Kong with stimulative growth in business opportunities. With a flourishing employment market, income of the working population improved and the quality of living in Hong Kong continued to improve. Hong Kong's financial conditions remained solid, benefiting the Group's godown business over the first half of 2007.

During the second half of the year, numerous economic issues surfaced following the meltdown of the US subprime mortgage industry. The international market suffered from the credit crunch, and the continual deflation in property prices and financial assets contributed to diminishing imports of Chinese products by the US and European countries. With surging petrol and raw material prices, manufacturing costs became much higher in the mainland. In response to the appreciation of the RMB, the Chinese Government imposed tighter currency policies and strengthened its adjustment and control measures to combat inflation. Manufacturers are receiving fewer orders, creating pressure for Hong Kong's godown industry.

In addition, the Group continued to expand its leasing spaces in Chivas Godown while reducing its spaces for godown operation, and consequently revenue derived from godown division decreased compared with last year's.

### **Property investment**

Revenue from property investment division increased as a result of increased rental space at Chivas Godown. The Group's prime investment property, Lu Plaza, maintained an occupancy rate of over 90% over the year. Rental rates from both new lettings and renewed leases gradually rose benefiting from the favourable environment of the leasing market. The Group recorded certain growth in rental income this year.

## **OUTLOOK**

### **Godown operation**

With the considerable economic slowdown in Europe and the US, fluctuations in the investment market are inevitable. The upward trend in interest rates and the soaring oil price will also have an impact on Hong Kong's exports. Commodity prices in the mainland continue to surge, imposing continued pressure on inflation. Manufacturers are inevitably affected by increases in costs, resulting in their increasing cautiousness in accepting orders. The situation is further complicated by the competition faced by Hong Kong's logistics industry from the Pearl River Delta and the "Three Links" soon to be fully implemented across the Taiwan Straits. The demand for Hong Kong's entrepot trade is expected to decrease, causing a negative impact on the godown industry. We are taking a prudent stance with regard to the outlook of the godown business for next year. To adapt to the new environment, the Group will further upgrade its godown facilities and improve its quality of service, while exploring other modes of operation to maintain a steady flow of revenue.

### **Property investment**

With factors such as the continually appreciation in RMB and the launch of the new labour laws in the mainland, manufacturers will face higher pressure on their operations. Leasing business in industrial premises may not enjoy as good a run as this year. With a number of commercial buildings due for completion in East Kowloon for the year 2008/2009, the supply of office space will see a significant increase, creating pressure on the leasing business of Lu Plaza. Accordingly, the Group will improve the hardware and facilities of the building to enhance its competitiveness in the neighbourhood, in order to secure its existing customer base and to explore new sources of tenants to maintain a steady rental income for the Group.

## **FINANCIAL REVIEW**

### **CONSOLIDATED FINANCIAL RESULTS**

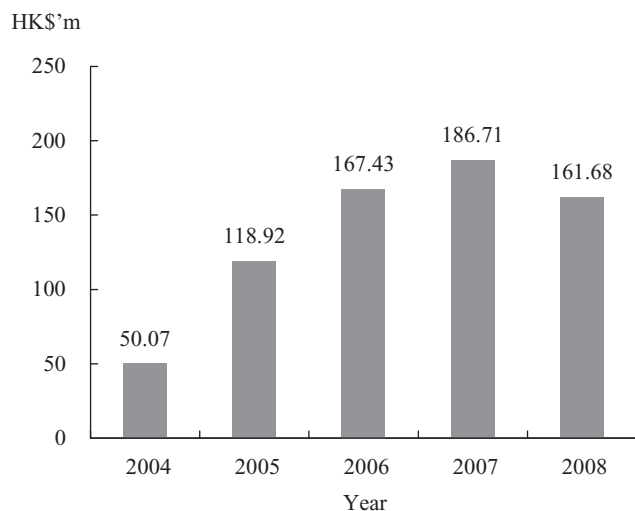
The Group recorded a total revenue of HK\$100,001,000 for the year ended 31 March 2008. This represents an increase of 5.11% or HK\$4,862,000 on the figure of HK\$95,139,000 achieved in the previous financial year. Most of the increment in revenue was attributable to the rise in rental income for the year.

### **GROUP'S PROFIT AND SEGMENT RESULTS**

The Group's profit before tax for the year amounted to HK\$193,730,000. This represents a decrease of 13.38% or HK\$29,927,000 measured against the figure of HK\$223,657,000 last year. The decrease was

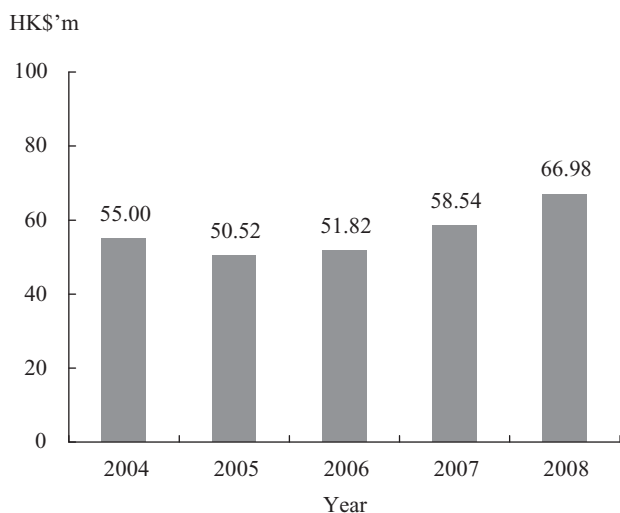
mainly attributed to the decrease in fair value gain on investment properties of HK\$47,500,000 compared to last year. Profit before taxation excluding the fair value gain on investment properties amounted to HK\$98,730,000, an increase of 21.65% or HK\$17,573,000 in profit in contrast to HK\$81,157,000 recorded in the preceding year.

#### Profit attributable to shareholders



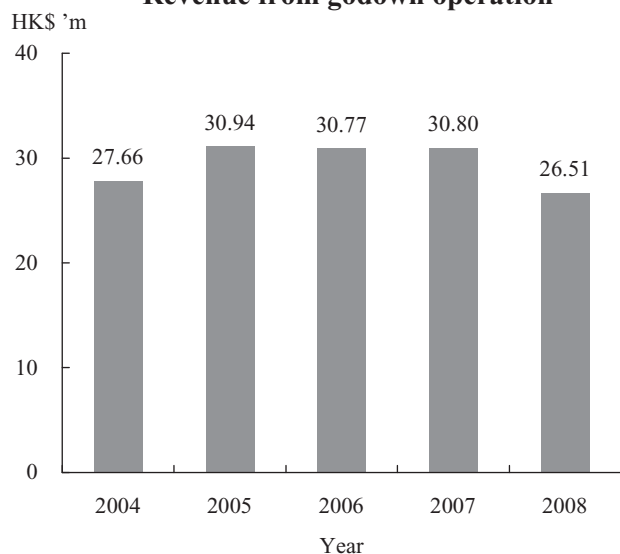
Following the strong growth from 2004 to 2007, profit attributable to shareholders adjusted to HK\$161,683,000 this year. The drop in fair value gain on investment properties mainly accounted for the adjustment.

#### Revenue from property investment



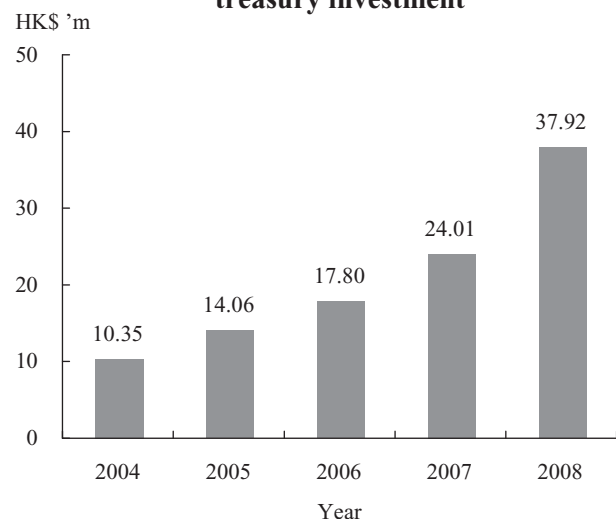
The property investment segment accounted for the largest proportion of the Group's total revenue for the year. Revenue generated from property investment division totalled HK\$66,981,000, an increase of 14.42% on the HK\$58,540,000 achieved in the previous year. Segment profit in property investment (excluding the fair value gain on investment properties) amounted to HK\$56,897,000, representing an increase of 15.33% on the HK\$49,333,000 recorded last year.

### Revenue from godown operation



The crises in the US housing and credit markets, combined with soaring fuel and food prices in the second half of the year had an adverse impact on godown business. In response to the change in market conditions, the Group had transformed part of the godown space in Chivas Godown into a rental property to increase rental income of the Group. Therefore, revenue from godown operation dropped by 13.93% while segment profit decreased by 39.42% compared to last year.

### Profit generated from treasury investment



The Group's treasury investment benefited from the booming Hong Kong's stock market in 2007. Profit generated from the treasury investment segment increased by 57.92% to HK\$37,916,000. The Group maintained a disciplined investment management policy throughout the year. Since the credit crisis emerged, the Group has taken a more prudent approach in securities investment to reduce market risk associated with the volatility of the market.

During the year, the Group realised part of its available-for-sale investments resulting in a net realised gain of HK\$11,419,000 (2007: HK\$10,986,000). As at 31 March 2008, the market value of the Group's available-for-sale investment portfolio reduced by 27.75% from HK\$45,669,000 to HK\$32,997,000. The market value of the investment portfolio held for trading also reduced by 48.62% from HK\$21,519,000 to HK\$11,056,000 resulting from disposal of part of the portfolio and changes in prices of the underlying securities.

Other than securities trading, the Group also captured a foreign exchange gain of HK\$8,823,000 (2007: nil) on foreign currencies deposits held by the Group. The gain was recorded as other income in the consolidated income statement.

## OPERATING EXPENSES

The Group's operating expenses totalled HK\$35,726,000 (2007: HK\$35,377,000), which was stable compared with the corresponding period. Total staff costs accounted for HK\$21,487,000, an increase of 5.88% over the amount of HK\$20,294,000 recorded in previous year. No finance cost was incurred by the Group as there were no bank borrowings during the year.

## FINANCIAL POSITION

As at 31 March 2008, the net asset value of the Group amounted to HK\$1,482,277,000 or HK\$10.98 per share, representing an increase of HK\$189,939,000 or 14.70% from that on 31 March 2007. The Group maintained a high current ratio throughout the year. As at 31 March 2008, the current ratio was 7.22, an increase of 20% compared to that of 6.01 on the same date in 2007.

Total current assets held by the Group at the year end soared to HK\$255,631,000, an increase of 43.78% over the figure of HK\$177,791,000 in last year. The Group's bank balances and cash totalled HK\$235,936,000, an increase of 63.39% against last year.

Total current liabilities of the Group as at 31 March 2008 was maintained at a low level of HK\$35,389,000 (2007: HK\$29,562,000). During the year, the Group had no bank borrowings. The primary source of financing for its operations was the cash flow generated from operating activities. Net cash generated from operating activities during the year amounted to HK\$98,855,000 (2007: HK\$66,569,000).

## DIVIDEND POLICY

It is the company's intention to provide shareholders with relatively consistent dividend income over the long term. The Group maintained a dividend payout ratio of over 25% of the profit for the year after adjusting the effect on fair value changes in investment properties and the corresponding deferred tax adjustments. Dividend payout ratio based on the adjusted profit as aforesaid are as follows:-

	2008	2007	2006	2005	2004
Dividend per share	<b>25 cents</b>	22 cents	16 cents	14 cents	11 cents
Dividend payout ratio	<b>40.51%</b>	42.95%	37.76%	41.50%	29.66%

## **PLEDGE OF ASSETS**

At 31 March 2008, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$1,078,700,000 (2007: HK\$1,015,000,000) and HK\$5,143,000 (2007: HK\$5,333,000), respectively, to banks to secure general banking facilities to the extent of HK\$72,000,000 (2007: HK\$72,000,000) granted to the Group. At 31 March 2007 and 2008, no such facilities were utilised by the Group.

## **EMPLOYEES**

As at 31 March 2008, the Group employed 78 employees. Total staff costs amounted to approximately HK\$21,487,000 for the year ended 31 March 2008 (2007: HK\$20,294,000). Staff costs represented 60.14% (2007: 57.36%) of the total operating expenses of the Group. 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.

## **FINANCIAL RISK EXPOSURE AND MANAGEMENT**

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, that is, Hong Kong dollars, and therefore the Group is exposed to foreign currency risk. 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.

The Group is exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles. The Group's equity price risks are mainly concentrated on equity instruments of entities operating in property industry sector listed in the Stock Exchange. In addition, the Company has assigned a special team of personnel to monitor the prices of the investments and will consider hedging the risk exposure should the need arise.

In the opinion of the Directors, the credit risk, liquidity risk and the interest rate risk arising from the business operation are not considered as material as the Group does not have any concentration of trade receivables and interest-bearing loan. Investments and cash transactions are executed with counterparties with high credit ratings.

## **CONTINGENT LIABILITIES**

As at 31 March 2008, the Group did not have any significant contingent liabilities.

## **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 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.

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2008.

## **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 "Code") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008 except for the deviations from the following code provisions A.2.1 and A.4.1:

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. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Chairman is responsible for ensuring that directors receive adequate information in a timely manner.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. All Non-executive Directors are appointed with no specific term which is a deviation from provision A.4.1 of the Code.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

## **AMENDMENTS TO ARTICLES OF ASSOCIATION**

Code provision A.4.2 stipulates that all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. In order to bring the Articles of Association up to date and in line with the current practice in Hong Kong, the Directors propose to the shareholders to amend the provisions of Article 83 of the Articles of Association of the Company.

In addition, in order to cater for the increasing demand from investors holding securities in listed companies through Central Clearing and Settlement System for attending the shareholders' meeting in person or appointing proxies to vote on their behalf, listed companies whose securities are listed on the Stock Exchange and admitted into CCASS as eligible for deposit, clearing and settlement purposes are required to include in their Articles of Association provisions allowing HKSCC Nominees Limited (or any successor thereto) to appoint multiple proxies/corporate representatives to attend general meetings of the listed issuers. The Directors therefore propose to amend the provisions of Articles 61 and 67A(b) of the Articles of Association of the Company.

## **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 complied with the required standard as set out in the Model Code during the year ended 31 March 2008.



## OTHER INFORMATION

This announcement will be published on the respective websites of the Stock Exchange ([www.hkex.com.hk](http://www.hkex.com.hk)) and the Company ([www.safetygodown.com](http://www.safetygodown.com)) on 11 July 2008. The annual report for the year ended 31 March 2008 containing all the information required by the Listing Rules will be published on the websites 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, 11 July 2008.

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>