



SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

ANNUAL RESULTS ANNOUNCEMENT - 2000/2001

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March

	Notes	2001 HK\$'000	2000 HK\$'000
Turnover	1	102,276	95,790
Other revenue		8,293	11,503
Staff costs		(24,666)	(26,140)
Depreciation		(6,806)	(9,434)
Net unrealized gain on trading securities		789	772
Gain on disposal of trading securities		562	144
Other operating expenses		(19,127)	(23,878)
Profit from operations	1	61,321	48,757
Finance costs	2	(10,490)	(11,060)
Profit before taxation		50,831	37,697
Taxation	3	(6,218)	(6,118)
Profit before minority interests		44,613	31,579
Minority interests		-	(985)
Profit for the year		44,613	30,594
Dividends			
Interim - 5 cents (2000: 8 cents) per share		6,750	10,800
Final - 7 cents (2000: 14 cents) per share		9,450	18,900
		16,200	29,700
Earnings per share	4	HK\$0.33	HK\$0.23

Notes:

1. TURNOVER AND CONTRIBUTION TO PROFIT FROM OPERATIONS

The Group's turnover and contribution to operating profit for the year ended 31 March 2001, analysed by principal activity, were as follows:

	Turnover		Contribution to profit from operations	
	2001	2000	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
By principal activity				
Godown operation	57,417	52,145	25,532	22,579
Rental income	44,859	43,645	34,438	25,262
	102,276	95,790	59,970	47,841
Net unrealised gain on trading securities			789	772
Gain on disposal of trading securities			562	144
			61,321	48,757

More than 90% of the Group's turnover and profit from operations are derived from Hong Kong.

2. FINANCE COSTS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	10,490	10,800
Other loans wholly repayable within five years	-	260
	10,490	11,060

3. TAXATION

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax for the year	7,419	6,385
Overprovision in prior year	(1,091)	(287)
	6,328	6,098
Deferred taxation (credit) charge	(110)	20
	6,218	6,118

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year.

4. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of approximately HK\$44,613,000 (2000: HK\$30,594,000) and on 135,000,000 shares in issue throughout the two years.

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after tax for the year ended 31 March 2001 amounted to HK\$44,613,000 which represents an increase of 46% over the amount of HK\$30,594,000 for the previous year. Earnings per share were HK\$0.33 (2000: HK\$0.23).

DIVIDENDS

The Directors recommend the payment of a final dividend of 7 cents per share. Together with the interim dividend of 5 cents per share already paid, the total distribution for the year ended 31 March 2001 will be 12 cents per share. The total distribution for the previous year was 22 cents per share.

REVIEW OF OPERATIONS

The first half of the year saw continued recovery in economies overseas. Hong Kong's export and entrepot trade performed well, which provided notable benefits for the warehouse industry. However, in the second half of the year, Hong Kong's economy suffered as a result of the slowdown in the US economy, the bursting of the IT bubble worldwide and more Hong Kong people spending across the border in Shenzhen. Moreover, following years of steady development in its economy, the Mainland is now able to manufacture products that were previously imported abroad, and this is affecting Hong Kong's export and entrepot trade. Alongside these factors, the Mainland's transportation industry now also offers greater diversity, undermining that of Hong Kong. This has in turn led to a sluggish warehousing industry, which recorded a drop in the godown turnover rate. Although there has been a drastic fall in the completion of new warehouses, the drop in demand for data centre has caused a large number of warehouse spaces to become available again on the market. This has resulted in keener competition among players in the industry and a more difficult business environment.

The Group provides modern godown facilities that offer smooth and efficient processes for storage and delivery of goods, and our comprehensive services guarantee customer satisfaction. Our godown operation was stable throughout the year under review and the performance showed an improvement on last year.

The rental business at the Lu Plaza in Wing Yip Street in Kwun Tong has proved satisfactory, with revenue from rental increasing. Coupled with the results on control of operating cost adopted by the Group, the contribution from the rental business reaped a 36% increase over the previous year. With its high quality, advanced facilities and outstanding management services, the Lu Plaza now achieves a satisfactory occupancy rate of 91%.

OUTLOOK

The development of the great western China is likely to drive the Hong Kong's traditional industries not only northward, but also westward. Hence, the development of high value-added services and industries as well as a strengthened amalgamation with the Mainland's economy will be the trend of the Hong Kong economy. Hong Kong has just started to establish itself as a logistic centre in recent years, but in light of the keen competition from neighbouring countries and regions, weaker demand from IT and data centre industries which lead to a relative increase in warehouse supply, together with the scarcity of sources for goods to be warehoused and stiff competition within the industry, the warehouse business is likely to face greater challenges ahead.

To maintain our business performance, the Group has developed a new mode of warehousing business, by leasing out part of the excessive warehouse space in order to ensure a stable rental income. In the second quarter of this year, the Group successfully rented out approximately 150,000 square feet in Godown No. 4 to a client. The rest of the space continues to be used for godown operation.

We are optimistic about the rental business at Lu Plaza. The occupancy rate is expected to accelerate further. Meanwhile, we are constantly endeavouring to perfect the quality of services offered at the Plaza and expect increased contribution to be derived from such operation.

RESIGNATION OF DIRECTOR

Mr. Lu Wing Yuk, Andrew resigned from the position of executive director of the Company on 22 December 2000 for personal reasons. On behalf of the Board, I express sincere thanks for his invaluable contribution over the past years. I also take this opportunity to thank my fellow directors and staff at all levels for their contribution and loyal services.

LIQUIDITY AND FINANCING

As at 31 March 2001, the Group's bank borrowings amounted to HK\$152.8 million, representing a decrease of HK\$5.2 million over the last year. Accordingly, the finance cost has reduced from HK\$11 million in last year to HK\$10.4 million for this year. The interest cover this year is 5.85 times which represents a considerable improvement from last year's 4.41 times. The improvement in interest cover is mainly attributed to the increase in operating profits and reduction in interest costs.

At the year end date, the Group did not have any long term borrowing and the Group's liquidity ratio was 0.40 times (2000: 0.28 times). The Group continued to maintain a low gearing ratio, calculated on the basis of the Group's net borrowings (after deducting bank balances and deposits of HK\$60.7 million) over shareholders' funds, at approximately 12.7% (2000: 16.2%) at the year end date.

With cash and marketable securities as well as available banking facilities at the year end date, the Group's liquidity position remains strong and the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

PLEDGE OF ASSETS

The Company's bank deposits of HK\$35,000,000 (2000: HK\$30,000,000) were pledged to secure a short-term bank loan of HK\$30,000,000 (2000: HK\$30,000,000) and banking facilities granted to a subsidiary.

In addition, the Group's properties, with an aggregate book value of HK\$733,078,000 (2000: HK\$826,636,000), were mortgaged or pledged to secure other banking facilities of HK\$152,083,000 (2000: HK\$157,803,000) granted to the Group.

EMPLOYEES

During the year, the Group employed approximately 98 (2000: 103) employees. Employee's cost (excluding directors' emoluments) amounted to approximately HK\$20,050,000 (2000: HK\$21,925,000) for the year. The decrease in staff costs is mainly attributed to the reduction in the number of staff employed. The Group ensures that the pay levels of its employees are competitive and salaries of employees are adjusted each year with double pay and bonus at the year end. The Group does not have any employees share option scheme.

PUBLICATION OF ANNUAL REPORT ON THE STOCK EXCHANGE'S WEBSITE

The 2001 Annual Report of the Company containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of The Stock Exchange of Hong Kong Limited in due course.

By Order of the Board

Lu Sin

Chairman

Hong Kong, 13 July 2001

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19/F., Lu Plaza, 2 Wing Yip Street, Kwun Tong, Kowloon on Thursday, 30 August 2001 at 12:00 noon for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2001.
2. To declare a final dividend.
3. To re-elect Directors.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following resolutions as Ordinary Resolutions:
 - (i) **“THAT** a general mandate be and is hereby unconditionally given to the Directors of the Company to issue, allot and dispose of additional shares in the capital of the Company not exceeding 20 per cent of the existing issued share capital of the Company until the next Annual General Meeting.”
 - (ii) **“THAT:**

- (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1 each in the capital of the Company in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved;
 - (b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
 - (c) for the purposes of this Resolution, “Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earlier of:
 - (1) the conclusion of the next Annual General Meeting of the Company;
 - (2) the expiration of the period within which the next Annual General Meeting of the Company is required by the laws to be held; and
 - (3) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (iii) **“THAT** the general mandate granted to the Directors of the Company to issue, allot and dispose of additional shares pursuant to Ordinary Resolution 5(i) set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 5(ii) set out in the Notice convening this meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution.”
6. To transact any other ordinary business.

By order of the Board
Lam Yeung Tak
Secretary

Hong Kong, 13 July 2001

NOTES:

- (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting.
- (2) The Register of Members of the Company will be closed from 23 August 2001 to 30 August 2001, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final 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 22 August 2001.
- (3) Subject to approval by the general meeting, the final dividend will be paid on 31 August 2001 to shareholders on register at 30 August 2001.