



SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

ANNUAL RESULTS ANNOUNCEMENT - 2001/2002

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2002

	Notes	2002 HK\$'000	Restated 2001 HK\$'000
Turnover	2	88,739	102,276
Other revenue		6,009	8,293
Staff costs		(22,830)	(24,666)
Depreciation		(6,143)	(6,806)
Net unrealized gain on trading securities		1,601	789
Net realized gain on trading securities		458	562
Other operating expenses		(15,485)	(19,127)
Profit from operations	3	52,349	61,321
Finance costs	4	(5,189)	(10,490)
Profit before taxation		47,160	50,831
Taxation	5	(1,921)	(6,218)
Profit for the year		45,239	44,613
Dividends			
2002 Interim dividend of 5 cents (2001: 5 cents) per share		6,750	6,750
2001 Final dividend of 7 cents (2000: 14 cents) per share		9,450	18,900
		16,200	25,650

*Notes:***1. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE**

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants. The adoption of these new and revised SSAPs has resulted in the following changes to the Group’s accounting policies that have affected the amounts and disclosures reported for the current or prior periods. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 “Segment reporting”. Segment disclosures for the year ended 31 March 2001 have been amended so that they are presented on a consistent basis.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) “Events after the balance sheet date”, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively. The effect of this change has been to increase shareholders’ funds of the Group and the Company at 1 April 2000 and 31 March 2001 by HK\$18,900,000 and HK\$9,450,000 respectively.

As a result of the revision of SSAP 9 (Revised) “Events after the balance sheet date”, SSAP 18 “Revenue” has also been revised. Accordingly, the dividends proposed or declared after the balance sheet date by investee companies are not recognised by the Company at the balance sheet date. This change in accounting policy has also been applied retrospectively. The effect of this change has been to decrease shareholders’ funds of the Company as at 31 March 2001 by HK\$12,000,000.

2. SEGMENTS INFORMATION*Business segments*

For management purposes, the Group is currently organised into two operating divisions - godown operation and property investment. These divisions are the basis which the Group reports its segment information.

Segment information about these business is presented below:

For the year ended 31 March 2002

	Godown operation	Property investment	Others	Elimination s	Consolidated
	HK\$’000	HK\$’000	HK\$’000	HK\$’000	HK\$’000
Revenue					
External income	36,127	52,612	-	-	88,739

Inter-segment income	-	6,516	-	(6,516)	-
Total revenue	36,127	59,128	-	(6,516)	88,739
Segment result	10,207	42,854	(35)	-	53,026
Bank interest income					1,338
Dividend income from investments in securities			3,209		3,209
Net unrealised gain on trading securities			1,601		1,601
Net realised gain on trading securities			458		458
Unallocated corporate expenses					(7,283)
Profit from operations					52,349
Finance costs					(5,189)
Profit before taxation					47,160
Taxation					(1,921)
Profit for the year					45,239

For the year ended 31 March 2001

	Godown operation <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External income	57,417	44,859	-	-	102,276
Inter-segment income	-	11,676	-	(11,676)	-
Total revenue	57,417	56,535	-	(11,676)	102,276
Segment result	17,991	44,307	(68)	-	62,230
Bank interest income					2,505
Dividend income from investments in securities			2,778		2,778
Net unrealised gain on trading securities			789		789
Net realised gain on trading securities			562		562
Unallocated corporate expenses					(7,543)
Profit from operations					61,321
Finance costs					(10,490)
Profit before taxation					50,831

Taxation	(6,218)
Profit for the year	44,613

Geographical segments

More than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong, and therefore no geographical segments are presented.

3. PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	476	631
and after crediting:		
Bank interest income	1,338	2,505
Dividend income from investments in securities (listed)	3,209	2,778
Gain on disposal of property, plant and equipment	62	85
Gross rental revenue from investment properties	58,814	44,859
Less: outgoings	(3,906)	(6,075)
Net rental income	54,908	38,784

4. FINANCE COSTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within five years	4,978	10,490
Other loans wholly repayable within five years	211	-
	5,189	10,490

5. TAXATION

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax for the year	2,396	7,419
Overprovision in prior year	(84)	(1,091)
	2,312	6,328
Deferred taxation credit	(391)	(110)
	1,921	6,218

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profits for the year.

6. EARNINGS PER SHARE

The calculation of earnings per share is based on the profit for the year of HK\$45,239,000 (2001: HK\$44,613,000) and on 135,000,000 shares in issue throughout the two years.

PROFIT FOR THE YEAR

The Group's audited consolidated net profit after taxation for the year ended 31 March 2002 amounted to HK\$45,239,000 which represents an increase of 1.4% over the amount of HK\$44,613,000 for the previous year. Earnings per share were HK\$0.34 (2001: HK\$0.33).

DIVIDENDS

The Directors recommend the payment of a final dividend of 6 cents per share in respect of 2002. Together with the interim dividend of 5 cents per share already paid, the total distribution for the year ended 31 March 2002 will be 11 cents per share. The total distribution for the previous year was 12 cents per share.

BUSINESS REVIEW

In the year under review, the godown industry experienced a difficult year in consequence of the global economic downturn and weak consumer spending.

Although turnover in the godown operation contracted modestly in the first half of the year, it was still able to match that of the corresponding period of the previous year. In the second half of the year, the business environment for the godown sector failed to improve and was then hard hit by the events of 11 September. The result was a further weakening of consumer confidence and demand, the general slowing in inventory turnover, the decline in import and export trade volumes, and the sharp inventory corrections on the part of major customers. Accordingly, turnover in the godown operation reduced drastically.

More satisfactory has been the performance on investment property as a result of the high occupancy rate maintained in Lu Plaza during the year under review. With the adoption of cost control measures across the board and the reduction in finance cost due to the lower interest rate, the Group continued to achieve a relatively stable profit for the year ended 31 March 2002.

BUSINESS OUTLOOK

Several negative factors continue to affect the global economic outlook. The situation in the Middle East remains turbulent, while consumer confidence has not yet completely recovered. These conditions will slow down the pace of economic recovery. Although Hong Kong has suffered serious deflation and the obstinately high unemployment rate refuses to show any obvious signs of improvement, the cargo, tourist and retail industries have evidently grown. This demonstrates that the overall business environment has improved slightly. Indeed, the godown business of the Group started to stabilise in the first quarter of this financial year. Given its

effective measures in tightening cost control and in enhancing competitiveness, as well as its ability in maintaining high occupancy rate in the investment property, the Group remains positive and cautiously optimistic about maintaining its business prospects in the year to come.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group recorded a turnover of HK\$88.7 million for the year ended 31 March 2002, representing a decrease of 13.2% as compared to the previous financial year. Despite the decrease in turnover, the Group reported an increase in profit attributable to shareholders by 1.4% to HK\$45.2 million as compared to the prior year.

Segment Information

The Group is principally engaged in two business segments: mainly godown operation and property investment. Turnover in godown operation dropped by 37% as a result of the decline in import and export trades during the economic recession. However, rental income generated from property investment reported a slight increase. Occupancy rate in Lu Plaza increased to 93%. During the year, the Group has leased out part of the warehouse space and accordingly a portion of the godown premises, having a net asset value of HK\$11.3 million, was transferred to investment properties.

Financial Resources and Liquidity

It is the Group's policy to maintain a healthy capital structure. As at 31 March 2002, current assets amounted to approximately HK\$67 million, of which approximately HK\$46 million were bank balances and pledged bank deposits. Current liabilities of approximately HK\$127.7 million comprised of bank borrowings in the amount of HK\$88 million.

During the year, the Group repaid bank borrowings of approximately HK\$45 million. This, together with the consecutive cut in interest rates, resulted in a substantial drop in finance cost by 50.5% to HK\$5.2 million. Profit from operations covered 10.09 times the finance costs (2001: 5.85 times).

As at 31 March 2002, shareholders' funds of the Group amounted to approximately HK\$788.9 million (2001: HK\$736.1 million). The gearing ratio calculated on the basis of total bank borrowings over total shareholders' funds as at 31 March 2002 was 13.69% (2001: 20.77%). The Group is in a strong financial position.

The Group's exposure to foreign currency risk is negligible, given that the functional currencies of the Group's operations are mainly Hong Kong dollars. The Group has not taken any speculative positions in derivatives, and it has no off-balance sheet or contingent liabilities other than the guarantees given in lieu of utility deposits.

Dividend Policy

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. The dividend payout ratio (including the proposed dividend for the year 2002) was approximately 32.8% of the profit attributable to shareholders (2001: 36.3%).

Operating Expenses

Throughout the year under review, the Group exercised a prudent financial management approach and took proactive steps to better manage the operating costs. As a result, the total operating expenses (including staff costs) of the Group for this year decreased by 12% to HK\$44.4 million as compared to HK\$50.6 million last year.

Employee Relations

The Group recognises the importance of training to its staff. In addition to on-the-job training, the Group provides internal training and external training for its staff.

As at 31 March 2002, the Group had 87 employees (2001: 98). Total staff costs for the year under review, excluding directors' remuneration, amounted to approximately HK\$18.6 million, a decrease of 7.15% as compared with that as at 31 March 2001. The dedication and hard work of the Group's staff during the year is greatly appreciated and recognised.

The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of the performance and experience of individual employees. The Group also provides mandatory provident funds and medical scheme for its employees. The Group does not have any share option scheme for employees.

Pledge of Assets

The Company's bank deposits of HK\$30 million (2001: HK\$35 million) were pledged to secure a short-term bank loan of HK\$30 million (2001: HK\$30 million).

In addition, the Group's investment properties and property, plant and equipment, with an aggregate book value of HK\$744 million (2001: HK\$720 million) and HK\$6.3 million (2001: HK\$13 million) respectively were mortgaged or pledged to secure banking facilities of HK\$139 million (2001: HK\$152 million) granted to the Group.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year.

Publication of detailed Results Announcement on the Stock Exchange's Website

A detailed results announcement of the Group containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited 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, 12 July 2002

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 Friday, 30 August 2002 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 2002.
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
Wong Leung Wai
Secretary

Hong Kong, 12 July 2002

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 2002 to 30 August 2002, 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 2002.*
- (3) Subject to approval by the general meeting, the final dividend will be paid on 31 August 2002 to shareholders on register at 30 August 2002.*