



SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

ANNUAL RESULTS ANNOUNCEMENT – 2002/2003

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	2	84,950	88,739
Other operating income		4,330	8,068
Staff costs		(18,983)	(22,830)
Depreciation and amortisation		(4,118)	(6,143)
Other operating expenses		(12,978)	(15,485)
Profit from operations	3	53,201	52,349
Finance costs	4	(2,392)	(5,189)
Profit before taxation		50,809	47,160
Taxation	5	(6,060)	(1,921)
Profit for the year		<u>44,749</u>	<u>45,239</u>
Dividends			
Interim dividend, paid – 4 cents (2002: 5 cents) per share		5,400	6,750
Final dividend, proposed 5 cents (2002: 6 cents) per share		6,750	8,100
		<u>12,150</u>	<u>14,850</u>
Earnings per share – Basic	6	<u>HK\$0.33</u>	<u>HK\$0.34</u>

Notes:—

1. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants.

The adoption of these SSAPs has resulted in the introduction of presentation of the statement of changes in equity and a change in the format of presentation of the cash flow statement, and in the adoption of new accounting policy, but has had no significant effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

SSAP 1 (Revised) “Presentation of financial statements” has introduced the format of presentation of the statement of changes in equity.

SSAP 11 (Revised) “Foreign currency translation” has eliminated the choice of translating the income statement of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate.

SSAP 34 “Employee benefits” has introduced measurement rules and disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

2. SEGMENTS INFORMATION

Business segments:

Segment information about the following two principal businesses are as follows:—

For the year ended 31 March 2003

	Godown operations <i>HKS'000</i>	Property investment <i>HKS'000</i>	Eliminations <i>HKS'000</i>	Consolidated <i>HKS'000</i>
<i>Revenue</i>				
External income	26,958	57,992	—	84,950
Inter-segment income	—	5,676	(5,676)	—
Total revenue	<u>26,958</u>	<u>63,668</u>	<u>(5,676)</u>	<u>84,950</u>
<i>Segment result</i>	<u>10,780</u>	<u>45,336</u>	<u>—</u>	56,116
Bank interest income				679
Dividend income from listed investments				1,877
Unallocated corporate expenses				<u>(5,471)</u>
Profit from operations				53,201
Finance costs				<u>(2,392)</u>

Profit before taxation	50,809
Taxation	(6,060)
Profit for the year	44,749

For the year ended 31 March 2002

	Godown operations <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>
<i>Revenue</i>					
External income	36,127	52,612	–	–	88,739
Inter-segment income	–	6,516	–	(6,516)	–
Total revenue	<u>36,127</u>	<u>59,128</u>	<u>–</u>	<u>(6,516)</u>	<u>88,739</u>
<i>Segment result</i>	<u>10,207</u>	<u>42,854</u>	<u>2,024</u>	<u>–</u>	55,085
Bank interest income					1,338
Dividend income from listed investments			3,209		3,209
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					<u>45,239</u>

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	450	476
Realised loss on other securities	35	–
Impairment loss on property, plant and equipment	300	–
and after crediting:		

Gross rental income from investment properties	57,992	52,612
Less: outgoings	(4,699)	(3,906)
Net rental income	53,293	48,706
Bank interest income	679	1,338
Dividend income from listed investments	1,877	3,209
Net unrealised gain on trading securities	153	1,601
Net realised gain on trading securities	–	458
Write back of provision for long service payments	3,000	–
Gain on disposal of property, plant and equipment	–	62
	<u> </u>	<u> </u>

4. FINANCE COSTS

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank borrowings wholly repayable within five years	2,268	4,978
Other loans wholly repayable within five years	124	211
	<u> </u>	<u> </u>
	<u>2,392</u>	<u>5,189</u>

5. TAXATION

	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,965	2,396
Overprovision in prior year	(105)	(84)
	<u> </u>	<u> </u>
	1,860	2,312
Deferred taxation	4,200	(391)
	<u> </u>	<u> </u>
	<u>6,060</u>	<u>1,921</u>

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

6. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$44,749,000 (2002: HK\$45,239,000) 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 2003 amounted to HK\$44,749,000 which represents a slight reduction of 1.08% against the amount of HK\$45,239,000 for the previous year.

DIVIDENDS

The Directors recommend the payment of a final dividend of 5 cents per share for the year 2003. Together with the interim dividend of 4 cents per share already paid, the total distribution for the year ended 31 March 2003 will be 9 cents per share. Total distribution for the previous year was 11 cents per share.

BUSINESS REVIEW

Despite the compounded impact of the global economic recession, the Middle-East turbulence, the aftermaths of the 11 September attack and the recent ordeal of SARS, together with the persistent deflation and high unemployment level in Hong Kong, the Group's godown and property rental businesses have, fortunately, remained steady. This is attributable to our strategies of securing a more stable income by reducing the amount of godown areas and leasing part of them in the form of long-term rental income. The reasonable rental policy and high quality of management of the Lu Plaza have also played an important part, winning the support of tenants and managing to maintain an occupancy level of about 90%. On the other hand, the Group also lowered its operation costs by simplifying manpower and strictly controlling unnecessary expenditure. Moreover, the low interest rate and lack of new investment projects due to the uncertain investment environment also reduced the outgoings on interest. All of the above factors have accounted for the more stable business performance of the Group over the past year.

OUTLOOK

The impact of the Iraqi war and SARS have not yet completely emerged at this moment. As a result, there are still hard times ahead for the godown and property rental businesses and the operational pressure on the Group is yet to be relieved. Nevertheless, the godown business has suffered less compared with other business. As SARS has been brought under control, business activities and consumption have returned to normal, movements in inventory will gradually become active. The Group believes that by further lowering operation costs and tightening daily operation expenses, the overall business can remain relatively stable. The Group will adhere to its practical approach in business management and work hard to strive for a reasonable return under this harsh business environment.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Godown Operation

Turnover of godown operation for the year fell substantially by about 25% to HK26,958,000 as a result of the planned conversion of part of the godown premises to investment properties and the decline in demand for warehousing space during the economic recession. Despite the fall in turnover, contribution from godown operation

registered an increase of HK\$573,000 to HK\$10,780,000, which represents an increase of 5.61% when compared to last year.

Property Rental

Gross rental income from property investment for the year, excluding share of results from inter-group companies, increased by about 10% to HK\$57,992,000 despite the tough leasing market. Contribution from property investment sector increased by HK\$2,482,000 to HK\$45,336,000 this year, which represents an increase of 5.79% against last year.

Notwithstanding the general downward rental pressure, the Group's profit attributable to shareholders for the year maintained at roughly the same level as last year. Profitability and efficiency have also improved as the Group has implemented a series of cost-control measures which have significantly reduced staff costs and operating expenses over the past years.

Financial Resources and Liquidity

The carrying value of investment properties increased by 4.90% to HK\$801,000,000 mainly due to the reclassification of certain godown premises at the carrying value of HK\$35,869,000 as investment properties and the increase in the valuation of investment properties. As at 31 March 2003, all of the Group's investment properties were revalued on an open market value basis by independent property valuers, and an increase in investment property revaluation of HK\$1,531,000 was recorded during the year.

The Group continued to maintain a healthy capital structure. The gearing ratio calculated on the basis of total bank borrowing over total shareholders' fund was kept at a low level of 7.58% (2002: 13.69%). Total liabilities decreased by HK\$39,952,000 to HK\$111,117,000 mainly due to the reduction in bank borrowings. As a result, finance cost has reduced substantially by 53.90% to HK\$2,392,000 this year.

As at 31 March 2003, the Group's total bank balances and pledged bank deposits amounted to HK\$36,361,000. Together with the marketable securities and available banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Given that the functional currencies of the Group's operations are mainly Hong Kong dollars, the Group's exposure to foreign currency risk is extremely small. In addition, the Group does not engage in any derivatives trading activities for speculation purpose, and it has no significant off-balance sheet or contingent liabilities as at 31 March 2003.

Pledge of Assets

The Group's bank deposits in the amount of HK\$20,000,000, investment properties with carrying value of HK\$700,000,000 and property, plant and equipment with

carrying value of HK\$6,093,000 were pledged to banks to secure bank loan and general banking facilities utilised by the Group.

STAFF

As at 31 March 2003, the Group has approximately 82 (2002: 87) staff. Total staff costs for the year under review amounted to HK\$18,983,000 which represents a decrease of 16.85% in staff costs against last year.

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 staff. The Group does not have any share option scheme for staff.

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, 4 July 2003

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, 8 August 2003 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 2003.
2. To declare a final dividend for the year 2003.
3. To re-elect Directors and to authorise the Directors to fix their remuneration.
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 special resolution:

Special Resolution

“THAT the existing articles of association of the Company (the “Articles of Association”) be and are hereby amended by inserting the following article after Article 92 of the Articles of Association and by renumbering all subsequent articles accordingly:–

93. The Board or any committee of the Board may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment through which all persons attending or participating in the meeting are capable of hearing each other and can communicate with each other simultaneously and instantaneously. For the purpose of counting a quorum, the person or persons participating in the meeting in the aforesaid manner shall be deemed for all purposes to be present in person at such meeting.”
6. As special business, to consider and, if thought fit, pass the following ordinary resolutions:

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 6(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 6(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.”

7. To transact any other ordinary business.

By order of the Board
Wong Leung Wai
Secretary

Hong Kong, 4 July 2003

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 4 August 2003 to 8 August 2003, 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, 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 1 August 2003.
- (3) Subject to approval by the general meeting, the final dividend will be paid on 9 August 2003 to members on register at 8 August 2003.