SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 237)

ANNUAL RESULTS ANNOUNCEMENT – 2004/2005

The Board of Directors of Safety Godown Company, Limited (the "Company") are pleased to announce that the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2005 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2005

	Notes	**2005** *HK$'000*	2004 *HK$'000*
Turnover	2	**123,687**	103,886
Other operating income		**1,369**	1,358
Unrealised holding gain on listed trading securities		**4,019**	4,492
Cost of listed trading securities sold		**(31,906)**	(15,257)
Staff costs		**(19,360)**	(19,491)
Depreciation and amortisation		**(4,010)**	(3,842)
Other operating expenses		**(19,015)**	(14,776)
Profit from operations	3	**54,784**	56,370
Finance costs		**(242)**	(769)
Profit before taxation		**54,542**	55,601
Taxation	4	**(9,003)**	(5,535)
Profit for the year		**45,539**	50,066
Dividends			
Interim dividend, paid – 7 cents (2004: 5 cents) per ordinary share		**9,450**	6,750
Final dividend, proposed – 7 cents (2004: 6 cents) per ordinary share		**9,450**	8,100
		18,900	14,850
Earnings per share – Basic	5	**HK$0.34**	HK$0.37

CONSOLIDATED BALANCE SHEET
At 31 March 2005

	2005 *HK$'000*	2004 *HK$'000*
Non-current assets		
Investment properties	**913,400**	823,000
Property, plant and equipment	**43,717**	47,425
Investments in securities	**46,408**	31,781
	1,003,525	902,206
Current assets		
Trade and other receivables	**8,986**	10,678
Investments in securities	**37,249**	12,114
Tax recoverable	**–**	121
Pledged bank deposits	**20,000**	20,000
Bank balances and cash	**29,282**	16,276
	95,517	59,189
Current liabilities		
Other payables	**25,011**	25,855
Provision for legal claims	**13,679**	5,027
Tax payable	**2,097**	3,201
Bank borrowings	**20,000**	23,787
	60,787	57,870
Net current assets	**34,730**	1,319
	1,038,255	903,525
Capital and reserves		
Share capital	**135,000**	135,000
Reserves	**884,097**	751,081
	1,019,097	886,081
Non-current liabilities		
Deferred tax liabilities	**16,438**	12,150
Provision for long service payments	**2,720**	5,294
	19,158	17,444
	1,038,255	903,525

Notes:–

1. **POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS**

   In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

   The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

2. **SEGMENT INFORMATION**

   Treasury investment is separately identified as a business segment in current year. Accordingly, certain comparative figures in consolidated income statement and the relevant notes were reclassified to conform with current year's presentation.

   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 2005

	Godown operations *HK$'000*	**Property investment** *HK$'000*	**Treasury investment** *HK$'000*	**Eliminations** *HK$'000*	**Consolidated** *HK$'000*
Turnover					
External income	**30,944**	**50,520**	**42,223**	**–**	**123,687**
Inter-segment income	**–**	**5,676**	**–**	**(5,676)**	**–**
Total	**30,944**	**56,196**	**42,223**	**(5,676)**	**123,687**
Inter-segment income is charged at prevailing market rates.					
Segment result	**12,266**	**34,192**	**14,061**	**–**	**60,519**
Unallocated corporate expenses					**(5,735)**
Profit from operations					**54,784**
Finance costs					**(242)**
Profit before taxation					**54,542**
Taxation					**(9,003)**
Profit for the year					**45,539**

   For the year ended 31 March 2004

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover					
External income	27,660	55,000	21,226	–	103,886
Inter-segment income	–	5,676	–	(5,676)	–
Total	27,660	60,676	21,226	(5,676)	103,886
Inter-segment income is charged at prevailing market rates.					
Segment result	12,230	39,273	10,354	–	61,857
Unallocated corporate expenses					(5,487)
Profit from operations					56,370
Finance costs					(769)
Profit before taxation					55,601
Taxation					(5,535)
Profit for the year					50,066

3. **PROFIT FROM OPERATIONS**

	2005 *HK$'000*	2004 *HK$'000*
Profit from operations has been arrived at after charging:		
Auditors' remuneration	**450**	450
and after crediting:		
Bank interest income	**122**	242
Dividend income from listed investments	**2,210**	996
Gain on disposal of listed trading securities	**7,985**	4,731
Gain on disposal of property, plant and equipment	**–**	30
Gross rental income from investment properties	**50,520**	55,000
Less: outgoings	**(3,060)**	(3,573)
Net rental income	**47,460**	51,427

4. **TAXATION**

	2005 *HK$'000*	2004 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**5,219**	4,526
Overprovision in prior years	**(504)**	(449)
	4,715	4,077
Deferred taxation	**4,288**	1,458
	9,003	5,535

5. **EARNINGS PER SHARE – BASIC**

   The calculation of earnings per share is based on the profit for the year of HK$45,539,000 (2004: HK$50,066,000) and on 135,000,000 shares in issue throughout both years.

DIVIDENDS

The Directors recommend the payment of a final dividend of 7 cents per share for the year 2005, amounting to HK$9,450,000, to shareholders whose names appear on the register of members on 12 August 2005. Together with the interim dividend of 7 cents per share already paid, the total distribution for the year ended 31 March 2005 will be 14 cents per share. Total distribution for the previous year was 11 cents per share.

BUSINESS REVIEW

Benefiting from the supportive and favourable policy implemented by the Central Government, the local retail and consumer markets have seen a considerable recovery. The property market has also begun to revive and the employment rate is on the rise, showing that Hong Kong's economy is steadily recovering from its downturn.

Although the macroeconomic adjustment in Mainland China temporarily held back the movement of goods, it also led to a sharp increase in demand for godown service from different sources at the beginning of the financial year. The Group's godowns were able to maintain a relatively high occupancy rate for a long time during the year under review. The flow of goods in the second quarter improved, yet with the fall in cotton price in the third quarter and the cancellation of quota restraints on garments in 2005, the turnover rate of goods in the second half of the year fluctuated slightly. Generally speaking, the godown business performed better this year, with a growth of 12% in revenue.

As the economy has rebounded and continued to improve, our warehouse property leasing business has also grown following the reviving property market. The vacancy rate fell and the rental income increased. Profits derived from the leasing of warehouse property remained stable during the year.

Average occupancy rate in Lu Plaza, however, dropped slightly in the face of the intensified competition in office leasing in Eastern Kowloon as a result of the increasing supply of industrial and commercial office premises in the region. The overall rental income from office property was lower than that in last year.

OUTLOOK

The godown business is still facing a number of uncertain factors in the year ahead. After the global textiles quota was lifted at the beginning of 2005, the surging textile product exports to the United States and Europe in the first quarter has led to a rise of protectionism in these territories. This constant trade conflict will adversely affect the export and re-export trades of Hong Kong and China. The volatility and persistent rise in raw material and oil prices are dampening the global economy. In addition, the mode of operation in logistics industry has changed, and increasing competition in godown business is expected. The growth of godown business will be difficult to maintain.

As most of the lease tenancies of warehouse property expire in the coming year, the increased demand for warehouse premises during the year will favour the negotiation for increase in rental prices of the renewable tenancies.

In the next two to three years, a large scale of office premises will become available in Eastern Kowloon, creating certain pressure on Lu Plaza's leasing activities. To ensure Lu Plaza stays competitive in rental market and to attract new tenants, the Group realises the importance of continued upgrading of Lu Plaza through recurrent repair and maintenance, continuous improvement and confinement of facilities and properties so as to enhance the performance and standard of the premises. The occupancy rate of Lu Plaza is expected to remain stable.

GROUP TURNOVER AND SEGMENT RESULTS

Godown Operation

Godown operation performed well in 2005. The turnover from godown operation increased significantly by 11.87% to HK$30,944,000 as a result of revived economy over the course of the financial year. Average occupancy rates for Safety Godown and Chivas Godown stayed high at around 92% and 95% respectively. Benefiting from the revenue growth, the profit margin for the godown operation grew from 44.22% to 47.14%, while the segment results before provision of legal claims rose by 19% compared with the results achieved in last corresponding year. However, with the provision on legal claims this year, the operating profit generated from the godown operation kept at HK$12,266,000 (2004: HK$12,230,000).

Property investment

Gross rental income generated from investment property decreased by 8.15% to HK$50,520,000 (2004: HK$55,000,000) while its operating profits decreased by 12.94% to HK$34,192,000 (2004: HK$39,273,000). The decline is principally attributable to an increase in office vacancy level after expiration of certain tenancies. Overall average occupancy level in investment property dropped this year. Office rents remained steady over the year.

As at 31 March 2005, the carrying value of investment property increased by HK$90,400,000 (2004: H$22,000,000) due to the increase in the valuation of the investment property portfolio following the recovery of the property market in Hong Kong. The increase in valuation was dealt with in the investment property revaluation reserve.

Treasury investments

The Group achieved satisfactory results in treasury investments. The investment objective of the Group is to preserve the Group's capital while ensuring a return on capital over a period of time. During the year, the Group took advantage of the upward trend in Hong Kong stock market, resulting in a profit on treasury investment of HK$14,061,000 (2004 (restated): HK$10,354,000) which mainly included a gain on disposal of trading securities of HK$7,985,000 (2004: HK$4,731,000) and an unrealised holding gain on trading securities of HK$4,019,000 (2004: HK$4,492,000). As at 31 March 2005, the carrying value of the trading securities held by the Group increased by 207% to HK$37,249,000 (2004: HK$12,114,000), while the market value of long term securities investment appreciated by 46% to HK$46,408,000 (2004: HK$31,781,000).

FINANCIAL RESOURCES AND LIQUIDITY

The year on year improvement in the financial position of the Company was seen by its continued improvement in current ratio, gearing ratio and net asset value per share. The current ratios over the 5 years period enhanced substantially from the ratio of 0.41:1 in 2001 to 1.57:1 in 2005, and the gearing ratio improved from 16.34% in 2001 to 1.82% in 2005. Net asset value per share calculated based on the revalued net assets of the Group at 31 March 2005 amounted to HK$7.55 per share which represents an appreciation of 38.53% over the 5 years period. As at 31 March 2005, the current ratio of the Group recorded at 1.57:1 (2004: 1.02:1) while the gearing ratio calculated at the ratio of total interest bearing loans to total assets of the Group were maintained at a very low level of 1.82% (2004: 2.47%).

The amount of interest paid during the year dropped to a record low of HK$242,000 (2004: HK$769,000) which was attributable to the low level of the Group's bank borrowings and the continued decline in interest rates. As at 31 March 2005, the Group's bank borrowings amounted to HK$20,000,000 (2004: HK$23,787,000) while the total bank balances including pledged bank deposits amounted to HK$49,282,000 (2004: HK$36,276,000), an increase of 35.85% over the comparative year.

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

The Group's exposure to foreign currency risk is minimal as the functional currencies of the Group's operation are mainly Hong Kong dollars. While the Group's securities investment is exposed to stock market risk, the Group does not engage in any derivatives trading activities for trading or hedging purposes except for scrip dividend warrants received from securities investment. Hence it had no significant off-balance sheet or contingent liabilities as at 31 March 2005 other than three outstanding litigations relating to the following matters at the balance sheet date:–

(a) Two claims were brought against the Group relating to certain damages alleged to be caused by defects in certain property previously owned by the Group and disputable income received by the Group.

(b) A claim was brought against the Group for loss of storage goods. Subsequent to the balance sheet date, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group is now appealing against the judgment at the Court of Appeal.

The Directors are of the opinion that adequate provision has been made in the financial statements and the ultimate liability, if any, will not have a material impact upon the Group's financial position.

PLEDGE OF ASSETS

The Group's bank deposits in the amount of HK$20 million (2004: HK$20 million), investment properties with carrying value of HK$795 million (2004: HK$720 million) and property, plant and equipment with carrying value of approximately HK$6 million (2004: HK$6 million) have been pledged to banks to secure general banking facilities of HK$72 million (2004: HK$79 million) granted to the Group.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 10 August 2005 to Friday, 12 August 2005, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, 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 Tuesday, 9 August 2005.

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 met regularly with the management and the external auditors to consider and review the Group's financial statements and the effectiveness of its internal control system. The current committee members comprise the three Independent Non-executive Directors, Mr. Gan Khai Choon, Mr. Lam Ming Leung and Mr. Oen Min Tjin, and one Non-executive Director, Mr. Lee Ka Sze, Carmelo. 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 2005.

CODE OF BEST PRACTICE

Throughout the year, the Company was in compliance with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, except that the non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 12 August 2005. A notice of the Annual General Meeting will be published and despatched to the shareholders of the Company in due course as required by the Listing Rules.

OTHER INFORMATION

Full announcement of the annual results of the Group, containing the information required by paragraph 45 of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be published on the Exchange's Website in due course.

By Order of the Board
Wong Leung Wai
Secretary

Hong Kong, 30 June 2005

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

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