



SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

(Stock Code: 237)

ANNUAL RESULTS ANNOUNCEMENT – 2005/2006

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 2006 are as follows:

CONSOLIDATED INCOME STATEMENT

Table with columns: Notes, 2006, 2005. Rows include Revenue, Other income, Increase in fair value of investment properties, etc.

CONSOLIDATED BALANCE SHEET

Table with columns: Note, 2006, 2005. Rows include NON-CURRENT ASSETS, CURRENT ASSETS, NET CURRENT ASSETS, CAPITAL AND RESERVES, NON-CURRENT LIABILITIES.

Notes:

- 1. BASIS OF PREPARATION
2. APPLICATION OF NEW HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES
Owner-occupied leasehold interests in land
Investment properties
Deferred taxes related to investment properties

Financial Instruments
In the current year, the Group and the Company has applied HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement".

Classification and measurement of financial assets and financial liabilities
By 31 March 2005, the Group and the Company classified and measured its investments in equity securities in accordance with the alternative treatment of Statement of Standard Accounting Practice 24 ("SSAP 24") "Accounting for Investments in Securities".

Newly issued standards or interpretations but not yet effective
At the date of authorisation of these financial statements, the Group and the Company have not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective.

Table with columns: HKAS 1 (Amendment), HKAS 19 (Amendment), HKAS 21 (Amendment), HKAS 39 (Amendment), HKAS 39 (Amendment), HKAS 39 & HKFRS 4 (Amendments), HKFRS 6, HKFRS 7, HK(IFRIC)-INT 4, HK(IFRIC)-INT 5, HK(IFRIC)-INT 6, HK(IFRIC)-INT 7, HK(IFRIC)-INT 8, HK(IFRIC)-INT 9.

- 1. Effective for annual periods beginning on or after 1 January 2007.
2. Effective for annual periods beginning on or after 1 January 2006.
3. Effective for annual periods beginning on or after 1 December 2005.
4. Effective for annual periods beginning on or after 1 March 2006.
5. Effective for annual periods beginning on or after 1 May 2006.
6. Effective for annual periods beginning on or after 1 June 2006.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

Table with columns: (a) Effect on the Group's results for the current and prior years: 2006, 2005. Rows include Increase in fair value of investment properties, Increase in deferred tax relating to investment properties, etc.

(b) Effects on the balance sheets at 31 March 2005 and 1 April 2005:

Table with columns: At 31.3.2005 (originally stated), HKAS 17, HKAS 40, HK(SIC)-INT 21 (restated), At 31.3.2005 (restated), HKAS 39, 1.4.2005 (restated). Rows include Property, plant and equipment, Prepaid lease payments, etc.

(c) The effects on the Group's equity at 1 April 2004 are that investment property revaluation reserve decreased by HK\$196,549,000, and retained profits increased by HK\$163,639,000.

4. SEGMENT INFORMATION

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.

Table with columns: Godown operations, Property investment, Treasury investment, Eliminations, Consolidated. Rows include Revenue, External income, Inter-segment income, Total, etc.

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Table with columns: 2006, 2005. Rows include Profit before taxation, Auditors' remuneration, and after crediting, Gross rental income from investment properties, etc.

Table with columns: 2006, 2005. Rows include Net rental income, Dividend income from listed securities, etc.

Table with columns: 2006, 2005. Rows include Dividends paid, Interim dividend paid during the year - HK7 cents, etc.

Table with columns: 2006, 2005. Rows include Dividends proposed, Final dividend - HK7 cents (2005: HK7 cents) per ordinary share, etc.

Table with columns: 2006, 2005. Rows include Dividends proposed, Final dividend - HK2 cents (2005: NIL) per ordinary share, etc.

Table with columns: 2006, 2005. Rows include Earnings per share - Basic, Final dividend - HK7 cents (2005: HK7 cents) per ordinary share, etc.

Table with columns: 2006, 2005. Rows include Adjustments arising from changes in accounting policies, As reported/restated, etc.

Table with columns: 2006, 2005. Rows include Trade receivables, Within 60 days, 61-90 days, Over 90 days, etc.

Table with columns: 2006, 2005. Rows include Trade receivables, Other receivables, etc.

Dividends
The Directors recommend the payment of a final dividend of 7 cents per share and a special dividend of 2 cents per share for the year 2006, amounting to HK\$12,150,000, to shareholders whose names appear on the register of members on 11 August 2006.

Business Review
The Group's result performed well in the first half of the year. During the year, the overall business environment in Hong Kong continued to improve, economic activities remained buoyant, the lifting of the global textiles quota in 2005 resulting in a higher turnaround rate for godown service from textile products at the beginning of the year.

Property investment
Benefiting from the favourable global economic environment and the strengthened Hong Kong economy, the local property market has seen a growth and the rent of offices and industrial buildings has risen. Though there was sufficient supply of office space in Eastern Kowloon, it was absorbed by the increasing demand from service companies moving into the region.

Outlook
Despite the success in reaching agreement among China, Europe and United States in respect of textiles trades, the result was still behind the industry's expectation. These may have relevance to the high fuel prices, rising commodity prices, the gradual increase in market interest rates, as well as the switch of orders by importers in order to reduce operating costs.

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FINANCIAL REVIEW

The Group recorded a turnover of HK\$142.4 million during the year ended 31 March 2006. This was 15.1% greater than the figure of HK\$123.7 million achieved in the preceding year. The increase in turnover was primarily driven by the increase in securities trading and investment activities which accounted for 42% (2005: 34.1%) of the total turnover of the year.

The Group's profit before tax for the year amounted to HK\$201 million. This represents an increase of 38.7% over the figure of HK\$144.9 million recorded last year.

Godown operation

After a significant growth of 11.9% in turnover last year, the Group's revenue generated from the godown business was virtually unchanged at HK\$30.8 million this year (2005: HK\$30.9 million). During the year, the average occupancy rates for godowns were continuously kept a high level. Operating profit from godown business improved by 2% to HK\$12.5 million (2005: HK\$12.3 million). The stable godown's performance was maintained during the year.

Property investment

The turnover of the Group's property rental for the year was HK\$51.8 million (2005: HK\$50.5 million), an increase of 2.6% compared with last year. The increase in rental income was mainly due to the steady occupancy rate and the slight increase in rental rates reported in Lu Plaza this year. At the balance sheet date, the Group recorded an increase in fair value of the investment property of HK\$133.6 million (2005: HK\$90.4 million) based on professional valuation in the income statement. The profit from property investment rose by 42.3% to HK\$177.3 million this year (2005: HK\$124.6 million). Excluding the unrealised profit from the revaluation of investment properties and other non-recurrent expenses or income, profit grew slightly. The segment continues to generate a steady source of income to the Group.

The Group's existing investment properties comprise mainly commercial office, industrial and godown premises. As at 31 March 2006, the carrying value of the investment properties amounted to HK\$1,047 million (31/3/2005: HK\$913.4 million). All the investment properties are located in Hong Kong.

Treasury investment

Following a strong performance in treasury investment in 2005, the treasury investment continued to performed well and made a significant contribution to the Group's income during the year. Profit from trading securities this year registered at HK\$17.8 million, an increase of profit of 26.6% against last year's profit on trading securities of HK\$14.1 million. The turnover in trading securities investment totalled HK\$59.8 million (2005: HK\$42.2 million).

The investment objective of the Group is to preserve the Group's capital while ensuring a return on capital over a period of time. The Group has formulated and followed disciplined investment guidelines and policies for treasury investments.

Total securities investments held for trading as at the year end was HK\$24.7 million (31/3/2005: HK\$37.2 million), which accounted for less than 2% (31/3/2005: 3.4%) of the total assets of the Group. The investment portfolio of the trading securities primarily comprises of securities listed in Hong Kong. The Group does not engage in futures, options or any derivative trading activities for speculation purpose. Investments in non-trading securities were re-classified as "available-for-sale investments" during the year in accordance with the treatment of the new accounting standard. The value of available-for-sale investments of the Group appreciated by 49.1% this year to HK\$69.2 million (2005: HK\$46.4 million), which includes an unrealised gain of HK\$18.8 million recognised through the investment revaluation reserve. Last year, the Group recorded an unrealised gain in value of HK\$14.6 million representing a growth of 46% per annum. The available-for-sale investments accounted for 5.4% (2005: 4.2%) of the total assets of the Group.

FINANCIAL RESOURCES AND LIQUIDITY

At the balance sheet date, the Group held HK\$115.8 million in current assets, an increase of 20.7% over the figure of HK\$95.9 million a year earlier. Cash in hand totalled HK\$75.8 million (31/3/2005: HK\$49.3 million) while securities investment held for trading carried at HK\$24.7 million (31/3/2005: HK\$37.2 million). Total current liabilities of the Group on the same date were HK\$38.5 million (31/3/2005: HK\$60.8 million). Current ratio as at 31 March 2006 was 3.01 times (31/3/2005: 1.58 times) of its current liabilities.

As at 31 March 2006, the Group did not have any bank loan. The Group's primary source of financing for its operations during the year was the cash flow generated from its operating activities. During the year, net cash generated from operating activities reached HK\$70 million (2005: HK\$34.9 million), and the net cash outflow for financing activities amounted to HK\$39 million (2005: HK\$20.3 million) which mainly represented the net repayment of bank loan of HK\$20 million (2005: HK\$2.5 million) at the beginning of the year and the dividends of HK\$18.9 million (2005: HK\$17.6 million) paid during the year.

As at 31 March 2006, the total equity attributable to shareholders of the Company amounted to HK\$1,136.9 million (31/3/2005: HK\$969.2 million) while the net asset value per share rose by 17.3% to HK\$8.42 (31/3/2005: HK\$7.18).

Financial Risk and Management

While the Group derives its revenue mainly in HK dollars, cash balances and marketable securities are maintained mainly in HK dollars, the Group's exposure to fluctuations in foreign currency is minimal. Available-for-sale investments and held-for-trading investments are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factors affecting the value of these financial instruments. The Group will continue to adopt a conservative and disciplined approach to financial and investment risk management.

Pledge of Asset

At last year end, the Company's bank deposit of HK\$20,000,000 had been pledged to secure a bank loan of HK\$20,000,000. At 31 March 2006, the pledge has been released upon repayment of the bank loan.

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$898,000,000 (2005: HK\$795,000,000) and HK\$5,523,000 (2005: HK\$5,713,000), respectively, have been pledged to banks to secure general banking facilities of HK\$72,000,000 (2005: HK\$72,000,000) granted to the Group, none of which was utilised at 31 March 2006.

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

At 31 March 2005, the following three outstanding unresolved litigations were brought against the Group. One of these litigations was settled during the year while two were still outstanding at 31 March 2006.

(a) The litigation that was settled in the current year was brought against the Group relating to certain damage alleged to be caused by defects in certain property previously owned by the Group. The case was settled out of court and the claims were fully paid by the Group.

(b) One outstanding unresolved litigation was brought against the Group relating to disputable income received by the Group. Subsequent to the balance sheet date, the case was settled out of court, and the claims were fully paid by the Group. The directors are of the opinion that adequate provision has been made in the financial statements.

(c) Another outstanding unresolved litigation was brought against the Group relating to the loss of storage goods. In April 2005, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group has appealed against the judgment of the Court of First Instance at the Court of Appeal. Subsequent to the balance sheet date, the Court of Appeal upheld the judgment of the Court of First Instance and the claims were fully paid by the Group. The directors are of the opinion that adequate provision has been made in the financial statements.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 9 August 2006 to Friday, 11 August 2006, 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, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 8 August 2006.

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 principal duties of the Audit Committee include the review of the internal control system of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence, monitor compliance with statutory and listing requirements, and to engage independent legal or other advisers as it determines necessary. 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 2006.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated balance sheet, consolidated income statement and the related notes thereto for the year ended 31 March 2006 as set out in the Preliminary Announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the "CG 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 2006 except for the deviations from the code provisions A.2.1 which requires separation of roles of chairman and chief executive officer and A.4.1 which stipulates that Non-executive Directors should be appointed for a specific term.

Code provision A.2.1 stipulates that the role of chairman and chief executive officer should be separated. The Group's current practice has deviated from the requirement of this provision. Mr. Lu Sin is the Chairman and the Chief Executive Officer of the Group. He is the founder and a substantial shareholder of the Group and has considerable industry experience. The Board considers this structure helps to maintain a strong and effective leadership and leads to a highly efficient decision making process, and believes that the balance of power and authority can be ensured as over one-third of the Board is represented by Independent Non-executive Directors throughout the year.

Prior to the amendment of the Company's Articles of Association on 12 August 2005, Non-executive Directors were not appointed for a specific term except that the Articles provided that one-third of the Directors should retire by rotation at the annual general meeting of the Company. This practice deviated from the requirement of the CG Code. After the amendment of the Company's Articles of Association, all the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association and code provision A.4.1 of the CG Code.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 11 August 2006. 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, 7 July 2006.

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

Table with columns: Name, Position. Rows include Lu Sin (Chairman and Managing Director), Lui Chi Lung (Executive Director), Oen Min Tjin (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), Leung Man Chiu, Lawrence (Independent Non-executive Director).