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# 安全貨倉有限公司

## SAFETY GODOWN CO LTD

(Incorporated in Hong Kong with limited liability)

(Stock Code: 237)

### ANNUAL RESULTS ANNOUNCEMENT – 2013/2014

The Board of Directors of Safety Godown Company, Limited (the “Company”) is pleased to announce that the audited results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2014 are as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2014

	Notes	2014 HK\$'000	2013 HK\$'000
Turnover	3	<u>139,156</u>	<u>119,758</u>
Income from godown operations		38,560	32,752
Income from property investment		96,280	84,030
Fair value (loss) gain on investments held for trading		(8,790)	5,653
Interest income		1,080	1,577
Dividend income		3,236	1,399
Other income and gains		343	461
Increase in fair value of investment properties		132,494	754,508
Staff costs		(17,600)	(19,171)
Depreciation of property, plant and equipment		(7,058)	(7,183)
Other expenses		<u>(17,050)</u>	<u>(14,914)</u>
Profit before taxation	5	221,495	839,112
Taxation	6	<u>(16,838)</u>	<u>(14,992)</u>
Profit for the year attributable to owners of the Company		204,657	824,120
Other comprehensive (loss) income for the year			
Item that may be subsequently reclassified to profit or loss:			
Fair value (loss) gain on available-for-sale investments		<u>(4,523)</u>	<u>8,982</u>
Total comprehensive income for the year attributable to owners of the Company		<u>200,134</u>	<u>833,102</u>
Earnings per share – Basic	8	<u>HK\$1.52</u>	<u>HK\$6.10</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

AT 31 MARCH 2014

	<i>Note</i>	<b>2014</b> <i>HK\$'000</i>	2013 <i>HK\$'000</i>
<b>Non-current assets</b>			
Investment properties		<b>2,667,400</b>	2,534,400
Property, plant and equipment		<b>101,460</b>	108,196
Available-for-sale investments		<b>27,391</b>	31,914
Held-to-maturity investment		<b>7,215</b>	8,164
		<b>2,803,466</b>	2,682,674
<b>Current assets</b>			
Investments held for trading		<b>89,886</b>	73,769
Trade and other receivables	9	<b>10,977</b>	8,871
Tax recoverable		<b>2,002</b>	21
Bank and other deposits		<b>152,824</b>	102,497
Bank balances and cash		<b>77,575</b>	105,691
		<b>333,264</b>	290,849
<b>Current liabilities</b>			
Other payables		<b>29,448</b>	23,711
Tax payable		<b>4,202</b>	2,540
		<b>33,650</b>	26,251
<b>Net current assets</b>		<b>299,614</b>	264,598
		<b>3,103,080</b>	2,947,272
<b>Capital and reserves</b>			
Share capital		<b>178,216</b>	135,000
Share premium and reserves		<b>2,861,129</b>	2,746,061
<b>Equity attributable to owners of the Company</b>		<b>3,039,345</b>	2,881,061
<b>Non-current liabilities</b>			
Long-term tenant's deposits received		<b>9,405</b>	13,910
Deferred tax liabilities		<b>52,444</b>	49,255
Provision for long service payments		<b>1,886</b>	3,046
		<b>63,735</b>	66,211
		<b>3,103,080</b>	2,947,272

NOTES:

**1. BASIS OF PREPARATION**

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the predecessor Hong Kong Companies Ordinance, Cap. 32 for this financial year and the comparative period under the transitional and saving arrangements for Part 9 “Accounts and Audit” set out in sections 76 to 87 of Schedule 11 to the new Hong Kong Companies Ordinance, Cap. 622.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (“Listing Rules”).

**2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)**

In the current year, the Group and the Company have applied the following new and revised standards, amendments and interpretations (“new and revised HKFRSs”) issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 19 (as revised in 2011)	Employee Benefits
HKAS 27 (as revised in 2011)	Separate Financial Statements
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
HK(IFRIC)-Int 20	Stripping Costs in the Production Phase of a Surface Mine

Except as described below, the application of the new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

*HKFRS 13 “Fair Value Measurement”*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “Leases”, and measurements that have some similarities to fair value but are not fair value (for example, net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 contains a new definition for ‘fair value’ and defines fair value of an assets as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

*Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Upon application of the amendments to HKAS 1, the Group’s statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

The Group and the Company have not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>
HKFRS 9	Financial Instruments <sup>3</sup>
HKFRS 14	Regulatory Deferral Accounts <sup>5</sup>
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>
Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities <sup>1</sup>
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations <sup>6</sup>
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation <sup>6</sup>
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions <sup>2</sup>
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities <sup>1</sup>
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>
HK(IFRIC)-Int 21	Levies <sup>1</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted
- <sup>2</sup> Effective for annual periods beginning on or after 1 July 2014
- <sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
- <sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
- <sup>6</sup> Effective for annual periods beginning on or after 1 January 2016

The directors of the Company are in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

### 3. TURNOVER

Turnover represents the following revenue recognised during the year:

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations	<b>38,560</b>	32,752
Income from property investment	<b>96,280</b>	84,030
Dividend income from listed investments	<b>3,236</b>	1,399
Bank interest income	<b>532</b>	967
Other interest income	<b>548</b>	610
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	<b>139,156</b>	119,758
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### 4. SEGMENT INFORMATION

Information analysed on the basis of the operation of the Group's businesses, including godown operations, property investment and treasury investment, is reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment of each operating segments. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

Godown operations	–	Operation of godowns
Property investment	–	Leasing of investment properties
Treasury investment	–	Securities trading and investment

Segment information about these operating and reportable segments is presented below:

*For the year ended 31 March 2014*

	<b>Godown operations HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<i>Turnover</i>				
Segment revenue	<u>38,560</u>	<u>96,280</u>	<u>4,316</u>	<u>139,156</u>
Segment profit (loss)	<u>22,258</u>	<u>81,428</u>	<u>(10,100)</u>	93,586
Increase in fair value of investment properties				132,494
Other administrative costs				<u>(4,585)</u>
Profit before taxation				<u>221,495</u>

*For the year ended 31 March 2013*

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<i>Turnover</i>				
Segment revenue	<u>32,752</u>	<u>84,030</u>	<u>2,976</u>	<u>119,758</u>
Segment profit	<u>19,090</u>	<u>63,590</u>	<u>6,787</u>	89,467
Increase in fair value of investment properties				754,508
Other administrative costs				<u>(4,863)</u>
Profit before taxation				<u>839,112</u>

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of increase in fair value of investment properties, other administrative costs, which include directors' fees, other expenses that are not directly related to the core business. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than the Group's corporate assets and tax recoverable; and
- all liabilities are allocated to operating segments other than the Group's corporate liabilities, tax payable and deferred tax liabilities.

### Information about major customers

The aggregate sales attributable to the Group's five largest customers accounted for 29% (2013: 29%) of the Group's total turnover. The sales attributed by each of these five largest customers are less than 10% of the Group's total revenue for both years.

### Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 3.

All the business operations and major non-current assets of the Group for both years are located and derived from Hong Kong.

## 5. PROFIT BEFORE TAXATION

	<b>2014</b>	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	<b>820</b>	791
– non-audit services	<b>253</b>	244
Exchange loss, net	<b>4,796</b>	674
Gross rental income from investment properties	<b>(96,280)</b>	(84,030)
Less: direct operating expenses for investment properties that generated rental income during the year	<b>4,443</b>	6,010
Net rental income	<b>(91,837)</b>	(78,020)
Dividend income from listed securities		
– available-for-sale investments	<b>(701)</b>	(701)
– investments held for trading	<b>(2,535)</b>	(698)
Bank interest income	<b>(532)</b>	(967)
Interest income from held-to-maturity investment	<b>(548)</b>	(610)

## 6. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	13,867	11,813
Overprovision in prior years	<u>(218)</u>	<u>(141)</u>
	13,649	11,672
Deferred taxation		
Current year	<u>3,189</u>	<u>3,320</u>
	<u><b>16,838</b></u>	<u><b>14,992</b></u>

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

## 7. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interim dividend paid in respect of 2014 – HK7 cents (2013: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2014 – HK4 cents (2013: HK8 cents) per ordinary share	5,400	10,800
Final dividend paid in respect of 2013 – HK7 cents (2012: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2013 – HK13 cents (2012: HK12 cents) per ordinary share	<u>17,550</u>	<u>16,200</u>
	<u><b>41,850</b></u>	<u><b>45,900</b></u>

A final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK18 cents per share, amounting to HK\$24,300,000 for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

## 8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$204,657,000 (2013: HK\$824,120,000) and on 135,000,000 shares in issue throughout both years.

No diluted earnings per share has been presented as there were no potential ordinary shares in issue in both years.

## 9. TRADE AND OTHER RECEIVABLES

The aged analysis of trade customers of the Group presented based on the billing date, which approximates revenue recognition date, is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within 60 days	6,867	5,479
61-90 days	612	558
Over 90 days	5	27
	<hr/>	<hr/>
	7,484	6,064
Other receivables	942	702
Prepayments and deposits	2,551	2,105
	<hr/>	<hr/>
	10,977	8,871
	<hr/> <hr/>	<hr/> <hr/>

## DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK18 cents per share, amounting to HK\$24,300,000 for the year ended 31 March 2014, to shareholders whose names appear on the register of members on 22 August 2014 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final dividend and special dividend will be despatched to shareholders on or around 5 September 2014. Together with the interim dividend of HK7 cents per share and special dividend of HK4 cents per share already paid, the total distribution for the year ended 31 March 2014 will be HK36 cents per share. Total distribution for the previous year was HK35 cents per share.

## ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Wednesday, 13 August 2014. The notice of Annual General Meeting will be published on the website of the Hong Kong Exchanges and Clearing Limited (“HKEx”) at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.safetygodown.com](http://www.safetygodown.com) and despatched to the shareholders in due course as required by the Listing Rules.

## CLOSURE OF MEMBERS REGISTER

To ascertain the shareholders’ entitlement to attend and vote at the meeting, the Register of Members will be closed from Monday, 11 August 2014 to Wednesday, 13 August 2014, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 8 August 2014.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Wednesday, 20 August 2014 to Friday, 22 August 2014, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 19 August 2014.

## **BUSINESS REVIEW**

The Federal Reserve's scale back of its bond purchase and the mentioning of a schedule for increasing interest rates in the second half of 2013 was gradually clarifying the market trend. However, with rising interest rates and the increasing risk of the reversing fund flows as a result of the rumours over the Federal Reserve's exit strategy, the financial market has experienced quite a dramatic fluctuation which affected emerging markets. Meanwhile, the growth in GDP in the fourth quarter in the Mainland is lower than expected and the housing market is also slowing down. Both facts added to the market's concerns on economic downturn.

Faced with a challenging external business environment and a gloomy local housing market, Hong Kong currently depends solely on tourism to support its economic growth. Thanks to the geographically close relationship with China and the huge demand for retail goods from individual mainland visitors, the negative effects were offset and a steady growth of the godown and logistics industry was observed.

The main products the Group's godown currently managed are still paper materials and domestic goods. The short supply in local godown spaces and the robust growth in the retail industry have driven the high demand for godown spaces and thus boosted the Group's income from godown business by 18%, while rental income from investment properties also increased by 15%.

As for the performance of treasury investments, the Group suffered a net loss of around HK\$10,000,000 this year compared with the profit of around HK\$6,800,000 gained in the same period last year.

## **OUTLOOK**

It is anticipated that the Federal Reserve will continue to cut its bond purchases while maintaining exit strategy programmes at a moderate pace. As regards to European Union, after exercising the super easing monetary policy, extensive fiscal adjustments and structural reforms, the EU's debt crisis has been mitigated and the economy has seen signs of recovery.

China is accelerating its economic transformation during the economic slowdown and Hong Kong's godown industry is expected to see steady growth due to improved exports and increasing domestic demand.

The introduction of the demand-management property measures, Buyer's Stamp Duty and the enhanced Special Stamp Duty, has achieved their purpose. Transaction volume has gone down with property prices expected to fall by 10% and interest rate levelling off.

The application for revitalization of Lu Plaza was approved by Lands Department in May 2014 and is now at the stage of finalizing the design specification with the architects and consultants from the perspectives of environmental protection and electrical & mechanical engineering. Environmental protection and energy efficiency measures will be the focus of conversion work to meet the Buildings Department's regulations and requirements on non-industrial use buildings. After completion of the revitalization work, the value of building will be enhanced.

As Lu Plaza will be upgraded to a commercial office building, it is estimated that the tenant mix may change and this may temporarily affect the leasing occupancy and rental income during the revitalization work. Nonetheless, there was still a steady positive rental reversion for renewals and new leases as a result of upward rental adjustments in the East Kowloon leasing market. In general, the Group remains cautiously optimistic on the rental growth for the building.

Although the Group is still under negotiation with potential buyers for the godown property located at Kwok Shui Road, Kwai Chung. In consideration of the good performance in godown business recently, and, if the bid fails to achieve its economic benefits, the Group may consider not to sell the property but to lease it in whole or in part after refurbishment, or even consider redeveloping the property into other use. The Group will publish appropriate announcement as soon as there is further progress.

## **REVIEW OF FINANCIAL RESULTS**

The Group reported a profit for the year of HK\$204,657,000 (2013: HK\$824,120,000). Our recurring underlying profit excluding the unrealised fair value gain of investment properties amounted to HK\$72,163,000 (2013: HK\$69,612,000), an increase of 3.66% against last year. Shareholders' fund increased by 5.49% to HK\$3,039,345,000 as at 31 March 2014 (31 March 2013: HK\$2,881,061,000).

The increase in underlying profit was mainly attributed to the growth in turnover and profit in both godown and property investment sectors. The Group's turnover for the year 2014 amounted to HK\$139,156,000 (2013: HK\$119,758,000), representing a year-on-year increase of 16.20%.

### **Godown operations**

The overall performance of the godown business for the year 2014 was satisfactory, with its turnover grew by 17.73% to HK\$38,560,000 (2013: HK\$32,752,000). Segment profit rose by 16.60% to HK\$22,258,000 (2013: HK\$19,090,000).

The increase in profit for the year was mainly driven by the increase in godown rates and the increase in demand for godown space induced by the growth in retailing industry in Hong Kong.

### **Property investment**

Our property investment sector also achieved satisfactory growth during the year, with revenue grew by 14.58% to HK\$96,280,000 (2013: HK\$84,030,000). This principally reflected an increase in rental levels on tenancy renewals and new lettings. The average occupancy level of Lu Plaza stood at around 90% for the year.

The underlying profit from property investment sector, after excluding the fair value gain on investment properties, was HK\$81,428,000 (2013: HK\$63,590,000), a rise of 28.05% compare to last year. Strong performance in profit growth in property investment sector also reflected the Group's effectiveness and efficiency in managing its operations.

The fair value of the Group's investment properties as at 31 March 2014 amounted to HK\$2,667,400,000 (31 March 2013: HK\$2,534,400,000), an increase in fair value of HK\$132,494,000 (2013: HK\$754,508,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

### **Treasury investment**

During the year under review, local stock market performance was volatile amid global and domestic economy uncertainties. Concerns over weakened economic growth in China and the Federal Reserve tapering policies had adversely affected the stock market. The treasury sector recorded a loss of HK\$10,100,000 (2013: gain of HK\$6,787,000) in investment held for trading. Total dividend and interest income received during the year amounted to HK\$4,316,000 (2013: HK\$2,976,000), an increase of 45.03% against last year. Investment portfolio for trading as at 31 March 2014 increased to HK\$89,886,000 (31 March 2013: HK\$73,769,000).

The Group had also registered a fair value loss on available-for-sale investments in the amount of HK\$4,523,000 (2013: fair value gain of HK\$8,982,000) and was set off in the investment revaluation reserve. The Group also recorded an exchange loss of HK\$949,000 (2013: exchange gain of HK\$8,000) on a held-to-maturity investment which is denominated in Australian dollar.

### **OPERATING COSTS**

Operating costs includes primarily staff costs, depreciation, repairs and maintenance and other administrative costs. Total staff cost had reduced by 8.20% to HK\$17,600,000 in current year (2013: HK\$19,171,000). No significant capital expenditure incurred during the year thus leading to stable depreciation. Other expenses included exchange loss of HK\$4,796,000 (2013: HK\$674,000). The net other expenses dropped by 13.95% to HK\$12,254,000 (2013: HK\$14,240,000), which was mainly attributed by reduced properties repairs and maintenance cost.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to maintain a strong cash position. As at 31 March 2014, total cash and bank balances amounted to HK\$230,399,000 (2013: HK\$208,188,000). Recurring net cash generated from operations amounted to HK\$64,889,000 (2013: HK\$89,051,000). Current ratio as at 31 March 2014 was 9.90 times (31 March 2013: 11.08 times), while total non-current liabilities were kept a low level of HK\$63,735,000 (31 March 2013: HK\$66,211,000). The Group does not have any bank borrowing throughout the year.

The new Hong Kong Companies Ordinance, Cap. 622 which has come into effect on 3 March 2014 has abolished the par value of shares to align with international trends. Accordingly, all share premium maintained in Share Premium Accounts were transferred to Share Capital, leading to the increase in share capital by HK\$43,216,000 to HK\$178,216,000.

As at 31 March 2014, the shareholders' funds increased by HK\$158,284,000 to HK\$3,039,345,000 (31 March 2013: HK\$2,881,061,000) with net asset value per share rose to HK\$22.51 (31 March 2013: HK\$21.34), up 5.48%.

## **DIVIDEND POLICY**

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. In the past 10 years, the Group had provided shareholders with relatively generous dividend payments. The management will try to maintain the dividend payment at a satisfactory level based on the business environment and the performance of the Group.

## **PLEDGE OF ASSETS**

As at 31 March 2014, the Group did not have any pledge of assets.

## **EMPLOYEE**

As at 31 March 2014, the Group employed 54 (31 March 2013: 61) employees. The reduction was mainly caused by retirement of aged staff. Total staff cost reduced by 8.20% to HK\$17,600,000 (2013: HK\$19,171,000). The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based on staff performance and results of the Group. The Group does not have any share option scheme for employees.

## **CONTINGENT LIABILITIES**

As at 31 March 2014, the Group did not have any significant contingent liabilities.

## **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 comprises three Independent Non-executive Directors and one Non-executive Director. The Committee is chaired by Mr. Gan Khai Choon. The other members are Mr. Lam Ming Leung, Mr. Leung Man Chiu, Lawrence and Mr. Lee Ka Sze, Carmelo.

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the year ended 31 March 2014.

## **CORPORATE GOVERNANCE**

The Company has complied with all the Code Provisions in the Corporate Governance Code contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 March 2014 except for the following deviations from Code Provisions A.2.1, A.4.1 and D.1.4.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lu Sin is the Chairman and the Chief Executive Officer of the Company. He is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as over one-third of the Board members are represented by Independent Non-executive Directors throughout the year. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently. The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Chairman is responsible for ensuring that directors receive adequate information in a timely manner.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. However, all Non-executive Directors are appointed with no specific term. Code Provision D.1.4 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. However the Company did not have formal letters of appointment for directors. In fact, 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. The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provisions.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2014.

## OTHER INFORMATION

The annual report of the Company for the year ended 31 March 2014 containing all the information required by the Listing Rules will be published on the websites of the HKEx at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.safetygodown.com](http://www.safetygodown.com) and despatched to shareholders in due course.

By Order of the Board  
**Wong Leung Wai**  
*Company Secretary*

Hong Kong, 26 June 2014

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

Lu Sin	<i>Chairman and Managing Director</i>
Lu Wing Yee, Wayne	<i>Executive Director</i>
Oen Min Tjin	<i>Executive Director</i>
Lee Ka Sze, Carmelo	<i>Non-executive Director</i>
Gan Khai Choon	<i>Independent Non-executive Director</i>
Lam Ming Leung	<i>Independent Non-executive Director</i>
Leung Man Chiu, Lawrence	<i>Independent Non-executive Director</i>