

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 – 2014/2015

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 2015 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2015

	NOTES	2015 HK\$'000	2014 HK\$'000
Turnover	3	<u>156,416</u>	<u>139,156</u>
Income from godown operations		38,141	38,560
Income from property investment		111,347	96,280
Fair value gain (loss) on investments held for trading		2,479	(8,790)
Interest income		2,669	1,080
Dividend income		4,259	3,236
Other income and gains		327	343
Increase in fair value of investment properties		508,772	132,494
Staff costs		(17,318)	(17,600)
Depreciation of property, plant and equipment		(6,806)	(7,058)
Other expenses		<u>(25,364)</u>	<u>(17,050)</u>
Profit before taxation		618,506	221,495
Taxation	6	<u>(19,236)</u>	<u>(16,838)</u>
Profit for the year attributable to owners of the Company		599,270	204,657
Other comprehensive income (loss) for the year			
Fair value gain (loss) on available-for-sale investments that may be subsequently reclassified to profit or loss		<u>9,237</u>	<u>(4,523)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>608,507</u>	<u>200,134</u>
Earnings per share – Basic	8	<u>HK\$4.44</u>	<u>HK\$1.52</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2015

	<i>NOTE</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Investment properties		3,176,400	2,667,400
Property, plant and equipment		94,790	101,460
Available-for-sale investments		36,628	27,391
Held-to-maturity investment		5,958	7,215
		<u>3,313,776</u>	<u>2,803,466</u>
Current assets			
Investments held for trading		92,201	89,886
Trade and other receivables	9	10,364	10,977
Tax recoverable		2,002	2,002
Bank and other deposits		132,484	152,824
Bank balances and cash		141,429	77,575
		<u>378,480</u>	<u>333,264</u>
Current liabilities			
Other payables		26,498	29,448
Tax payable		2,244	4,202
		<u>28,742</u>	<u>33,650</u>
Net current assets		<u>349,738</u>	299,614
		<u>3,663,514</u>	<u>3,103,080</u>
Capital and reserves			
Share capital		178,216	178,216
Reserves		3,408,886	2,861,129
Equity attributable to owners of the Company		<u>3,587,102</u>	<u>3,039,345</u>
Non-current liabilities			
Long-term tenant's deposits received		18,635	9,405
Deferred tax liabilities		55,519	52,444
Provision for long service payments		2,258	1,886
		<u>76,412</u>	<u>63,735</u>
		<u>3,663,514</u>	<u>3,103,080</u>

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 issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the Hong Kong Companies Ordinance. During the financial year, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements. 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”).

The financial information relating to the years ended 31 March 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 March 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 March 2015 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

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

In the current year, the Group has applied the following amendments to HKFRSs and new interpretation issued by the HKICPA.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the above amendments to HKFRSs and a new interpretation 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.

The Group has 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 ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

HKFRS 15 “Revenue from contracts with Customer”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of ascertaining the financial effect of the application of these new and revised HKFRSs on the Group’s consolidated financial statements.

3. TURNOVER

Turnover represents the following revenue recognised during the year:

	2015 <i>HK\$’000</i>	2014 <i>HK\$’000</i>
Income from godown operations	38,141	38,560
Income from property investment	111,347	96,280
Dividend income from listed investments	4,259	3,236
Bank interest income	2,155	532
Other interest income	514	548
	156,416	139,156

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 segment. 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 2015

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<i>Turnover</i>				
Segment revenue	<u>38,141</u>	<u>111,347</u>	<u>6,928</u>	<u>156,416</u>
Segment profit	<u>22,568</u>	<u>90,168</u>	<u>2,928</u>	115,664
Increase in fair value of investment properties				508,772
Other administrative costs				<u>(5,930)</u>
Profit before taxation				<u>618,506</u>

For the year ended 31 March 2014

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<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>

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 revenue attributable to the Group's five largest customers accounted for 36% (2014: 29%) of the Group's total turnover. The revenue attributable by the largest customer (included in both godown operations and property investment segments) in current year amounting to HK\$18,897,000 which accounted for 12% of the Group's total turnover, and the revenue attributed by each of remaining four customers are less than 10% of the Group's total revenue for the current year. In the previous year, the revenue attributed by each of the five largest customers are less than 10% of the Group's total turnover.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	861	820
– non-audit services	258	253
Exchange loss, net	5,461	4,796
Impairment loss recognised on trade receivables	414	–
Gross rental income from investment properties	(111,347)	(96,280)
Less: direct operating expenses for investment properties that generated rental income during the year	<u>7,621</u>	<u>4,443</u>
Net rental income	(103,726)	(91,837)
Dividend income from listed securities		
– available-for-sale investments	(701)	(701)
– investments held for trading	(3,558)	(2,535)
Bank interest income	(2,155)	(532)
Interest income from held-to-maturity investment	<u>(514)</u>	<u>(548)</u>

6. TAXATION

	2015 <i>HK\$'000</i>	2014 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	16,164	13,867
Overprovision in prior years	(3)	(218)
	<u>16,161</u>	<u>13,649</u>
Deferred taxation		
Current year	3,075	3,189
	<u>19,236</u>	<u>16,838</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year.

7. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend paid in respect of 2015 – HK7 cents (2014: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2015 – HK13 cents (2014: HK4 cents) per ordinary share	17,550	5,400
Final 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 – HK18 cents (2013: HK13 cents) per ordinary share	24,300	17,550
	<u>60,750</u>	<u>41,850</u>

A final dividend of HK10 cents per share, amounting to HK\$13,500,000 and a special dividend of HK55 cents per share, amounting to HK\$74,250,000 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\$599,270,000 (2014: HK\$204,657,000) 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 age analysis of trade customers of the Group presented based on the billing date, which approximates revenue recognition date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 60 days	5,882	6,867
61-90 days	184	612
Over 90 days	165	5
	<hr/>	<hr/>
	6,231	7,484
Other receivables	1,152	942
Prepayments and deposits	2,981	2,551
	<hr/>	<hr/>
	10,364	10,977
	<hr/> <hr/>	<hr/> <hr/>

DIVIDENDS

This year is the Group's 55th Anniversary, the Board of Directors has resolved to recommend the payment of a final dividend of HK10 cents per share, amounting to HK\$13,500,000 and a special dividend of HK55 cents per share, amounting to HK\$74,250,000 for the year ended 31 March 2015, to shareholders whose names appear on the register of members on 24 August 2015 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 7 September 2015. Together with the interim dividend of HK7 cents per share and special dividend of HK13 cents per share already paid, the total distribution for the year ended 31 March 2015 will be HK85 cents per share. Total distribution for the previous year was HK36 cents per share.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday, 14 August 2015. 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 and on the website of the Company at 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 Tuesday, 11 August 2015 to Friday, 14 August 2015, 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 Monday, 10 August 2015.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Thursday, 20 August 2015 to Monday, 24 August 2015, 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 Wednesday, 19 August 2015.

BUSINESS REVIEW

During the reporting period, global economics was still recovering from the crisis. Deep-seated and structural problems of different countries are yet to be solved. Due to the slowdown of the U.S. economic recovery, there was no urgency in raising the interest rate.

With low interest rate, the property prices in Hong Kong had repeatedly reached new highs, indirectly weakening the spending power of consumers.

The weak growth of global import demand and domestic demand had affected the godown business in Hong Kong. Fortunately, as majority of the products stored in our Group's godown were still paper materials, performance of our godown business was rather stable. The annual godown rental income recorded a slight decrease of 1%. Nonetheless, further streamlining has raised cost-effectiveness, leading to an increase in profits by 1%. Also, there was a steady rise in the rental income and profit from investment properties, each of which increased by 16% and 11% respectively.

Income from financial investments income recorded an increase of 61% with a profit of HK\$2,928,000, while a loss of HK\$10,100,000 was recorded in the same period last year.

OUTLOOK

With further improvement in the U.S. labor market and dissipation of economic resistance, we are confident that inflation rate will increase by a target rate of approximately 2%. It is expected that the Federal Reserve Board will raise the interest rate in the second half of this year to proceed with the normalization of the monetary policy. With this, the property prices in Hong Kong is anticipated to go down.

Since China cut its tariff rate sharply to stimulate its domestic demand and boost its economy, its prices of consumer goods will be competitive to those of Hong Kong. Furthermore, as tourists visiting Hong Kong tend to be younger with lower spending power, the retail business in Hong Kong may be further aggravated and the godown business in Hong Kong may be thwarted.

The revitalization of Lu Plaza has entered a substantive stage. Starting from June, the project has been carried out gradually according to the plan. The Group implements strict project supervision, emphasizing that every single process must meet the Buildings Department's regulations and requirements regarding non-industrial use buildings. Completion of the whole revitalization project is expected to take place by early 2017. During revitalization, inconveniences to tenants may be caused and the lease-out rate may drop slightly. In order to ensure smooth completion of the project and maintain the lease-out rate, the Group will endeavour to minimize such negative impacts on the tenants. Lu Plaza will become a commercial building after revitalization, leading to a change in the nature of tenancies. The leasing department will strive to attract a variety of sources of tenants for higher rental income.

While the Group has had several negotiations and discussions in relation to the potential sale of the property located at Kwok Shui Road, Kwai Chung, no consensus was reached. Currently, the Group is for the time being considering to renovate certain floors of the godown and to carry on the business.

Furthermore, certain real estate agents have recently expressed their clients' interest in acquiring the Group's property of Chivas Godown located at 60 Ka Yip Street, Chai Wan on the Hong Kong Island, the Group is studying carefully. The Group will at the same time continue to consider any other business opportunities of economic benefits and continue to strive to enhance shareholders value. Should there be any notifiable information, the Group would make appropriate disclosure to the shareholders as soon as possible.

REVIEW OF FINANCIAL RESULTS

The consolidated profit for the year attributable to owners of the Company grew sharply by 193% to HK\$599,270,000 (2014: HK\$204,657,000). Our recurring underlying profit excluding the unrealized fair value gain in investment properties amounted to HK\$90,498,000 (2014: HK\$72,163,000), surged by about 25.41% compared with a 3.66% increase last year. Shareholders' funds rose by 18% to HK\$3,587,102,000 as at 31 March 2015 (31 March 2014: HK\$3,039,345,000).

Total revenue of the Group continued to grow year-on-year by 12.40% to HK\$156,416,000 (2014: HK\$139,156,000) after a 16.20% rise last year. The increase in total revenue was mainly attributable to growth in rental income generated from investment properties.

As at 31 March 2015, the net asset value per share of the Company amounted to HK\$26.57 (31 March 2014: HK\$22.51), while the earning per share for the year reported at HK\$4.44 (2014: HK\$1.52). With the market share price of the Company as at 31 March 2015 being HK\$12.20 (31 March 2014: HK\$9.76), the P/E ratio was as low as 2.75 (31 March 2014: 6.42), along with a consistent generous dividend payout ratio of above 50% based on profit for the year attributable to shareholders after adjusting the unrealised fair value charges in investment properties.

Godown operations

The unsteady external environment and the slow global economic recovery weighed on exports of goods. During the year, exports of goods remained sluggish. Enterprises tried to cut cost by reducing storage of goods, affecting the source of goods especially from paper products. The performance of our godown operations was relatively steady. Total revenue generated from godown operations down slightly by 1.09% to HK\$38,141,000 (2014: HK\$38,560,000) with godown rates improved slightly during the year. Profit margin grew 1.45% from 57.72% to 59.17% resulting from an increase in segment profit of 1.39% to HK\$22,568,000 (2014: HK\$22,258,000), indicating a reduction in operating cost as a result of better warehouse management.

Property investment

The Group offers a range of properties for lease, from industrial offices to industrial and storage spaces. The Group's major investment properties are the Lu Plaza, office building located in Kwun Tong and a godown premises located in Chaiwan. After staying quiet in the year 2013, the overall property market experienced a revival since the second quarter of 2014. Rents in most districts were flat over the year under review.

The rising demand of office, the greater availability of office space and the significant rental difference compared with other core districts has escalated the emergence of Kowloon East as the third largest commercial center in Hong Kong. However, with rapid growing supply of office space in Kowloon East, rental growth in Lu Plaza slow while average occupancy rate dropped slightly to 85% during the year.

The leasing activities in warehouse market remained buoyant. Strong logistics market fundamentals and tight supply of warehouse sector in Island East helped support the growth of rental in Chivas Godown. Rentals rate in Chivas Godown jumped by high double digit percentage with occupancy level remained at 100%.

Segment profit in property investment after deducting the fair value gain in properties rose 10.73% to HK\$90,168,000 (2014: HK\$81,428,000) while total rental income surged by 15.65% to HK\$111,347,000 (2014: HK\$96,280,000).

The perception of a sustained low-interest-rate environment and abundant liquidity in the market place boosted the market prices of properties. During the year under review, the Group recorded a fair value gain in investment properties of HK\$508,772,000 (2014: HK\$132,494,000).

The outlook for the investment property sector remains positive amid the completion of Kai Tak Cruise Terminal, the MTR Sha Tin-Central Link which set for completion in 2020, and the proposed relocation of some government departments to Kowloon East districts, and the significant rental difference compared with other core districts.

Treasury investment

Hong Kong stock market was generally buoyant but rather volatile during the year. The prolonged period of low interest rates, monetary easing measures introduced by the Central Government to fuel steady economic development, the successful launch of the Shanghai-Hong Kong Stock Connect, the expected benefits caused by “One Belt and One Road” and the proposed Shenzhen-Hong Kong Stock Connect were all the main driving forces contributing to the rising trend of Hang Seng Index.

The Hang Seng Index opened at 22,292 points on 1 April 2014, reached its high at 25,317 points on 3 September 2014 and subsequently fell back in light of the market concerns over US interest rate, the weak economic performance of Mainland and the Greece’s debt negotiations. Hang Seng Index closed at 24,900 points on 31 March 2015, representing an increase of 11.70% during the year under review.

The Group responded to the market and captured the opportunities to increase its investment portfolio with strict control in market risk. Investment income surged by 60.52% to HK\$6,928,000 (2014: HK\$4,316,000), which was mainly attributable to the increase in dividend income and interest income. Gain on trading securities registered at HK\$2,479,000 (2014: loss of HK\$8,790,000). Investment risk in trading securities was relatively low, the total trading securities portfolio as at 31 March 2015 amounted to HK\$92,201,000 (31 March 2014: HK\$89,886,000), which accounted for only 2.57% (31 March 2014: 2.96%) of the net assets of the Group.

The available-for-sale securities investment which was held for long term investment purposes appreciated by 33.72%, registering a fair value gain of HK\$9,237,000 (2014: loss of HK\$4,523,000) with the investment value reached HK\$36,628,000 (2014: HK\$27,391,000).

During the year, the US dollar strengthened against most major currencies including Australian dollar, Japanese Yen and RMB which the Group had such foreign currencies fixed deposits. As a result, an exchange loss of HK\$5,461,000 (2014: HK\$4,796,000) incurred. All of the Japanese Yen deposits has been exchanged to Hong Kong dollar during the year.

OPERATING COSTS

Major components of operating costs are staff costs, depreciation, repairs and maintenance and other administrative costs. Total staff costs reduced by 1.60% to HK\$17,318,000 (2014: HK\$17,600,000), as of retirement of some senior staff. The other operating expenses increased in current year. Other than exchange loss on foreign currency amounted to HK\$5,461,000 (2014: HK\$4,796,000), the Group also recorded rise on cost of repairs and maintenance in investment properties, professional consultation fee on revitalization of Lu Plaza and legal fee, etc.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted a prudent funding and treasury policy with regard to its business operation, and continued to maintain a strong cash position. The total cash and bank balances as at 31 March 2015 increased by 18.89% to HK\$273,913,000 (31 March 2014: HK\$230,399,000), with no bank borrowings or loans of any kind. Most of the bank deposits were denominated in Hong Kong dollars.

The Group financed its operation mainly by its strong cash flows generated from operation. Recurring net cash flows from operation increased by 61.24% to HK\$104,628,000 (2014: HK\$64,889,000). Net current assets as at 31 March 2015 totalled HK\$349,738,000 (31 March 2014: HK\$299,614,000), up 16.73% with the current ratio of 13.17 (31 March 2014: 9.90). With the strong cash balance and recurring cash inflow from operation, plus no outstanding bank borrowings or loans, the Group has sufficient financial resources to finance its operations and to meet any anticipated future liquidity requirements.

Total non-current assets as at 31 March 2015 appreciated by 18.20% to HK\$3,313,776,000 (31 March 2014: HK\$2,803,466,000), with the total net asset value reaching HK\$3,587,102,000 (31 March 2014: HK\$3,039,345,000), making the net asset value per share of the Company as at 31 March 2015 equivalent to HK\$26.57 (31 March 2014: HK\$22.51).

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 2015, the Group did not have any pledge of assets.

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

As at 31 March 2015, the Group employed 53 (31 March 2014: 54) employees. The reduction was mainly caused by retirement of aged staff. Total staff cost reduced by 1.60% to HK\$17,318,000 (2014: HK\$17,600,000). 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.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customer to fulfil their immediate and long-term need.

Due to the nature of the business, the Group didn't have any major supplier that has significant influence on the operations. However, the Group strived to maintain fair and co-operating relationship with the suppliers.

CONTINGENT LIABILITIES

As at 31 March 2015, 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 2015.

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 2015 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, deceased on 5 April 2015, was the Chairman and the Chief Executive Officer of the Company. He was the founder and a substantial shareholder of the Company and had 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 2015.

OTHER INFORMATION

The annual report of the Company for the year ended 31 March 2015 containing all the information required by the Listing Rules will be published on the websites of the HKEx at www.hkex.com.hk and the Company at www.safetygodown.com and despatched to shareholders in due course.

By Order of the Board
Wong Leung Wai
Company Secretary

Hong Kong, 25 June 2015

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

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