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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)

INTERIM RESULTS ANNOUNCEMENT – 2010/2011

FINANCIAL HIGHLIGHTS

- Turnover: HK\$47,013,000, drop 2.37% (2009: HK\$48,154,000)
- Profit attributable to owners of the Company: HK\$162,383,000 (2009: HK\$96,850,000)
- Net cash position: HK\$161,687,000 (31.3.2010: HK\$225,529,000)
- Earnings per share: HK\$1.2 (2009: HK\$0.7)
- Interim dividend: HK7 cents per share (2009: HK4 cents per share) and a special dividend of HK3 cents per share (2009: nil)

The Board of Directors of Safety Godown Company, Limited (the “Company”) are pleased to announce the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2010. These results have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Audit Committee of the Company.

The profit attributable to owners of the Company for the first half of 2010 was HK\$162,383,000 compared with the profit of HK\$96,850,000, in the same period in 2009. Earnings per share were HK\$1.2 (2009: HK\$0.7). The underlying profit attributable to owners of the Company excluding the changes in fair value of investment properties and associated deferred tax grew by 52% from HK\$39,374,000 in the first half of 2009 to HK\$59,962,000 for the period under review.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

	Notes	Six months ended	
		30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Turnover	3	47,013	48,154
Income from godown operations		10,742	8,460
Income from property investment		33,840	39,189
Fair value gain on investments held for trading		34,281	6,710
Interest income		471	34
Dividend income		1,960	471
Other income		6,779	6,793
Increase in fair value of investment properties		122,660	68,834
Staff costs		(10,917)	(10,150)
Depreciation of property, plant and equipment		(995)	(1,066)
Other expenses		(5,528)	(4,374)
Profit before taxation		193,293	114,901
Taxation	4	(30,910)	(18,051)
Profit for the period attributable to owners of the Company		162,383	96,850
Other comprehensive income			
Fair value gain on available-for-sale investments		2,484	6,561
Revaluation surplus on transfer of owner-occupied property to investment properties		–	1,714
Deferred tax on revaluation surplus on transfer of owner-occupied property to investment properties		–	(283)
Other comprehensive income for the period (net of tax)		2,484	7,992
Total comprehensive income for the period attributable to owners of the Company		164,867	104,842
Earnings per share – Basic	6	HK\$1.2	HK\$0.7

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	<i>Note</i>	30.9.2010 (unaudited) <i>HK\$'000</i>	31.3.2010 (audited and restated) <i>HK\$'000</i>
Non-current assets			
Investment properties		1,441,535	1,369,375
Property, plant and equipment		68,245	18,305
Available-for-sale investments		27,136	24,652
		<u>1,536,916</u>	<u>1,412,332</u>
Current assets			
Investments held for trading		157,219	61,518
Trade and other receivables	7	18,329	8,979
Tax recoverable		–	861
Bank deposits		114,305	156,732
Bank balances and cash		47,382	68,797
		<u>337,235</u>	<u>296,887</u>
Current liabilities			
Other payables		33,013	29,692
Tax payable		10,800	2,006
		<u>43,813</u>	<u>31,698</u>
Net current assets		<u>293,422</u>	<u>265,189</u>
		<u>1,830,338</u>	<u>1,677,521</u>
Capital and reserves			
Share capital		135,000	135,000
Reserves		1,520,858	1,389,741
Equity attributable to owners of the Company		<u>1,655,858</u>	<u>1,524,741</u>
Non-current liabilities			
Deferred tax liabilities		171,582	150,423
Provision for long service payments		2,898	2,357
		<u>174,480</u>	<u>152,780</u>
		<u>1,830,338</u>	<u>1,677,521</u>

NOTES:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.

In the current interim period, the Group has applied, for the first time, the following new or revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA.

HKFRSs (Amendments)	Amendment to HKFRS 5 as part of Improvements to HKFRSs 2008
HKFRSs (Amendments)	Improvements to HKFRSs 2009
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Rights Issues
HKAS 39 (Amendment)	Eligible Hedged Items
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners

The Group applies HKFRS 3 (Revised) "Business Combinations" prospectively to business combinations for which the acquisition date is on or after 1 April 2010. The requirements in HKAS 27 (Revised) "Consolidated and Separate Financial Statements" in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 April 2010.

As there was no transaction during the current interim period in which HKFRS 3 (Revised) and HKAS 27 (Revised) are applicable, the application of HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to other HKFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Results of the Group in future periods may be affected by future transactions for which HKFRS 3 (Revised), HKAS 27 (Revised) and the consequential amendments to the other HKFRSs are applicable.

Except as describe below, the adoption of these new and revised HKFRSs had no material effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

Amendment to HKAS 17 "Leases"

As part of "Improvements to HKFRSs" issued in 2009, HKAS 17 "Leases" has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the condensed consolidated statement of financial position. The amendment has removed such a requirement. The amendment requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendment to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 April 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively. This resulted in a reclassification of prepaid lease payments with a previous carrying amount of HK\$10,717,000 at 1 April 2009 to property, plant and equipment that are measured at cost model.

The effect of application of amendment to HKAS 17 on the financial positions of the Group is as follows:

	As at 31.3.2010 (originally stated) HK\$'000	Adjustments HK\$'000	As at 31.3.2010 (restated) HK\$'000
Property, plant and equipment	7,814	10,491	18,305
Prepaid lease payments – non-current	10,264	(10,264)	–
Prepaid lease payments – current	227	(227)	–
	<u>7,814</u>	<u>10,491</u>	<u>18,305</u>
	As at 1.4.2009 (originally stated) HK\$'000	Adjustments HK\$'000	As at 1.4.2009 (restated) HK\$'000
Property, plant and equipment	8,499	10,717	19,216
Prepaid lease payments – non-current	10,490	(10,490)	–
Prepaid lease payments – current	227	(227)	–
	<u>8,499</u>	<u>10,717</u>	<u>19,216</u>

The effect of application of amendment to HKAS 17 on the results of the Group is as follows:

	Six months ended 30.9.2009 (originally stated) HK\$'000	Adjustments HK\$'000	Six months ended 30.9.2009 (restated) HK\$'000
Depreciation of property, plant and equipment	953	113	1,066
Release of prepaid lease payments	113	(113)	–
	<u>953</u>	<u>113</u>	<u>1,066</u>

The Group has not early adopted the following new or revised standards, amendments and interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKAS 24 (Revised)	Related Party Disclosures ³
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adoptors ²
HKFRS 7 (Amendment)	Disclosures – Transfer of Financial Assets ⁵
HKFRS 9	Financial Instruments ⁴
HK(IFRIC) – Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ³
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ²

¹ Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate

² Effective for annual periods beginning on or after 1 July 2010

³ Effective for annual periods beginning on or after 1 January 2011

⁴ Effective for annual periods beginning on or after 1 January 2013

⁵ Effective for annual periods beginning on or after 1 July 2011

HKFRS 9 "Financial Instruments" introduces new requirements for the classification and measurement of financial assets and will be effective from 1 April 2013, with earlier application permitted. The standard requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be measured at either amortised cost or fair value. Specifically, debt investments that (i) are held within a business model whose objective is to collect the contractual cash flows and (ii) have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost. All other debt investments and equity investments are measured at fair value. The application of HKFRS 9 might affect the classification and measurement of the Group's financial assets.

The directors of the Company anticipate that the application of the new or revised standards, amendments or interpretations will not have a material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's operating segments, based on information reported to the chief operating decision maker, Chairman of the Company, for the purposes of resource allocation and performance assessment are as follows:

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

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by operating segment for the period under review:

For the six months ended 30 September 2010

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External revenue	10,742	33,840	2,431	47,013	–	47,013
Inter-segment revenue	–	2,119	–	2,119	(2,119)	–
	<u>10,742</u>	<u>35,959</u>	<u>2,431</u>	<u>49,132</u>	<u>(2,119)</u>	<u>47,013</u>
Total	<u>10,742</u>	<u>35,959</u>	<u>2,431</u>	<u>49,132</u>	<u>(2,119)</u>	<u>47,013</u>
Inter-segment revenue is charged based on market/concessionary rates						
Segment profit	<u>3,386</u>	<u>27,597</u>	<u>43,080</u>	<u>74,063</u>	<u>–</u>	<u>74,063</u>
Increase in fair value of investment properties						122,660
Central administrative costs						<u>(3,430)</u>
Profit before taxation						<u>193,293</u>

For the six months ended 30 September 2009

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Turnover						
External revenue	8,460	39,189	505	48,154	–	48,154
Inter-segment revenue	–	2,441	–	2,441	(2,441)	–
	<u>8,460</u>	<u>41,630</u>	<u>505</u>	<u>50,595</u>	<u>(2,441)</u>	<u>48,154</u>
Total	<u>8,460</u>	<u>41,630</u>	<u>505</u>	<u>50,595</u>	<u>(2,441)</u>	<u>48,154</u>
Inter-segment revenue is charged based on market/concessionary rates						
Segment profit	<u>2,499</u>	<u>33,554</u>	<u>12,670</u>	<u>48,723</u>	<u>–</u>	<u>48,723</u>
Increase in fair value of investment properties						68,834
Central administrative costs						<u>(2,656)</u>
Profit before taxation						<u>114,901</u>

Segment profit represents the profit earned by each segment without allocation of changes in fair value of investment properties and central administrative costs. This is the measure reported to the chief operating decision-maker for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's assets by operating segment:

	30.9.2010 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>
Godown operations	72,364	22,525
Property investment	1,447,198	1,374,134
Treasury investment	307,207	242,902
	<hr/>	<hr/>
Total segment assets	1,826,769	1,639,561
	<hr/> <hr/>	<hr/> <hr/>

4. TAXATION

	Six months ended	
	30.9.2010 (unaudited) <i>HK\$'000</i>	30.9.2009 (unaudited) <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	9,751	5,266
Deferred taxation	21,159	12,785
	<hr/>	<hr/>
	30,910	18,051
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the current and prior periods.

5. DIVIDENDS

	Six months ended	
	30.9.2010 (unaudited) <i>HK\$'000</i>	30.9.2009 (unaudited) <i>HK\$'000</i>
Dividends paid:		
Final dividend paid in respect of the year ended		
31 March 2010 of HK7 cents (2009: for year ended		
31 March 2009 of HK4 cents) per ordinary share	9,450	5,400
Special dividend for 50th anniversary paid in respect of the year ended		
31 March 2010 of HK18 cents (2009: nil) per ordinary share	24,300	–
	<hr/>	<hr/>
	33,750	5,400
	<hr/> <hr/>	<hr/> <hr/>
Dividends proposed:		
Interim dividend – HK7 cents		
(six months ended 30.9.2009: HK4 cents) per ordinary share	9,450	5,400
Special dividend – HK3 cents		
(six months ended 30.9.2009: nil) per ordinary share	4,050	–
	<hr/>	<hr/>
	13,500	5,400
	<hr/> <hr/>	<hr/> <hr/>

Subsequent to the end of the reporting period, the directors of the Company have proposed that an interim dividend of HK7 cents per share (six months ended 30.9.2009: HK4 cents) and a special dividend of HK3 cents per share (six months ended 30.9.2009: nil) be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2010. The interim dividend and special dividend will be paid around 7 January 2011.

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$162,383,000 (six months ended 30.9.2009: HK\$96,850,000) and on 135,000,000 shares (six months ended 30.9.2009: 135,000,000 shares) in issue throughout the period.

No diluted earnings per share have been presented as there were no potential ordinary shares in issue for both periods.

7. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period of 60 days to its customers in respect of godown operations. Usually, the Group issues billing in advance to its customers in respect of the property investment business.

An analysis of trade receivables by age, presented based on the invoice date, is as follows:

	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited) HK\$'000
Trade receivables		
Within 60 days	3,579	2,823
61-90 days	222	285
Over 90 days	232	3
	<hr/>	<hr/>
	4,033	3,111
Other receivables	12,368	3,696
Prepayments and deposits	1,928	2,172
	<hr/>	<hr/>
	18,329	8,979
	<hr/> <hr/>	<hr/> <hr/>

8. RELATED PARTY TRANSACTIONS

The remuneration of directors and other members of key management during the period was HK\$2,796,500 (six months ended 30.9.2009: HK\$2,700,500).

BUSINESS REVIEW

In the first half of 2010, the global economic crisis persisted due to the onset of the Euro-zone debt crisis as well as the extremely slow recovery of the US economy attributed by its high unemployment rate and low inflation rate. For China, in view of the rapid growth of labour cost and the pressure for Renminbi appreciation, the local export industry was severely affected, contributing to the decline in the volume of re-export trade in Hong Kong. Coupled with the above were factors such as the intense price competition in the sector, altogether resulting an increasingly difficult environment for godown operation. Fortunately, the Group has managed to lease most of the godown spaces to a number of major clients and has gained ongoing support from long-term clients to the godown operation. The overall income from godown business remained stable with growth recorded when compared to the same period of last year.

Due to the oversupply of office spaces in the Kowloon East district, the leasing rate of investment properties of the Group fell, but still maintained the level of around 85%. This contributed to a moderate decline in the leasing business when compared to the same period of last year.

Benefited by the flourishing stock market, the treasury investments have witnessed a satisfactory performance.

OUTLOOK

Given that the economies of European and US traditional markets remain stagnant, the US Federal Reserve has not only launched a new round of Quantitative Easing Policy to stimulate the US economy, but also discussed on managing inflation expectation, hence creating volatility in the foreign exchange market. With a deluge of hot money flows into emerging countries, asset-price bubbles are growing in a rapid manner. The economy of China is therefore expected to have a high rate of growth in the first half of the year, followed by a slackening pace of economic growth in the second half of the year, eventually affecting the export industry. Notwithstanding the unfavourable factors in the external environment, the logistic industry in Hong Kong is benefited from the Government policy in revitalization of industrial buildings. While more industrial buildings are being transformed or redeveloped, it is expected that the godown business will benefit from the diminishing supply of godown spaces and achieve better performance in the second half of the year.

The application for the modification of land use of Safety Godown at Kwai Chung to residential usage has been submitted to the Town Planning Board and is awaiting approval.

FINANCIAL REVIEW

The total revenue of the Group for the first half of 2010 was approximately HK\$47,013,000 (2009: HK\$48,154,000), which represented a decrease of 2% when compared with the last corresponding period. The analysis of revenue are described as follows:

Godown Operation

Benefited by the Government policy in revitalization of industrial buildings, godown facilities of some competitors have been transferred for other use purposes. As a result, demand for the Group's godown facilities increased substantially during the period and the Group has transferred some vacant investment properties for godown operation purpose. The revenue and profit from the godown segment increased by 27% and 35% to HK\$10,742,000 (2009: HK\$8,460,000) and HK\$3,386,000 (2009: HK\$2,499,000) respectively when compared to the same period last year.

Property Investment

Due to the keen competition from the newly erected office premises in the Eastern Kowloon district, the revenue and profit from property investment for the half-year period fell by 14% and 18% to HK\$33,840,000 (2009: HK\$39,189,000) and HK\$27,597,000 (HK\$33,554,000) respectively when compared to last corresponding period.

During the period, investment properties amounted to HK\$50,500,000 were transferred to property, plant and equipment for godown operation purpose. As the property market continued to boom during the period, the Group's investment properties shown a revaluation gain of HK\$122,660,000 (2009: HK\$68,834,000). As at 30 September 2010, the carrying value of investment properties were approximately HK\$1,441,535,000 (31.3.2010: HK\$1,369,375,000).

Treasury Investment

Although the Hang Seng Index remained comparatively stable during the period under review, the Group recorded a remarkable profit on treasury investment segment of HK\$43,080,000 (2009: HK\$12,670,000), which mainly comprised fair value gain on investments held for trading of HK\$34,281,000 (2009: HK\$6,710,000) and foreign currency exchange gain of HK\$6,739,000 (2009: HK\$5,650,000). During the period, the market value of the investment portfolio held for trading increased by HK\$95,701,000 to HK\$157,219,000 (31.3.2010: HK\$61,518,000). The Group had also recorded a fair value gain on available-for-sale investments of HK\$2,484,000 (2009: HK\$6,561,000) in the period.

The Group's investment portfolio consists of equity securities and a trust fund listed in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

There was no material change to the Group's capital structure during the period under review. As at 30 September 2010, the shareholders' fund amounted to HK\$1,655,858,000, representing an increase of HK\$131,117,000 or 9% from that of HK\$1,524,741,000 at 31 March 2010. The net asset value per share as at 30 September 2010 was HK\$12.27 (31.3.2010: HK\$11.29 per share). The Group continued to maintain a strong cash position with bank deposits, bank balances and cash totalling HK\$161,687,000 (31.3.2010: HK\$225,529,000) whereas the Group's total current liabilities only amounted to HK\$43,813,000 (31.3.2010: HK\$31,698,000).

The Group had no borrowing and all sources of funds were generated from operating activities. During the period, the net cash generated from operating activities, excluding the HK\$66,016,000 (2009: HK\$16,909,000) used for acquisition of investments held for trading, amounted to HK\$36,569,000 (2009: HK\$35,957,000). The strong liquidity position of the Group can also be reflected by its high current ratio (current assets/current liabilities). As at 30 September 2010, the current ratio was 7.70 times, albeit a decrease from 9.37 times at 31 March 2010 due to the increase in tax payable.

EXPOSURE OF FOREIGN EXCHANGE

Certain bank balances of the Group are denominated in foreign currencies which are different from the functional currency of the entity to which they relate, and therefore the Group is exposed to foreign currency risk. At 30 September 2010, the Group's foreign currency bank deposits amounted to HK\$20,088,000 (31.3.2010: HK\$63,246,000). The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

PLEDGE OF ASSETS

At 30 September 2010, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$51,500,000 (31.3.2010: HK\$93,000,000) and HK\$53,168,000 (31.3.2010: HK\$4,763,000), respectively, to a bank to secure general banking facilities to the extent of HK\$69,000,000 (31.3.2010: HK\$69,000,000) granted to the Group. At 30 September 2010, no such facilities were utilised by the Group.

EMPLOYEES

As at 30 September 2010, the total number of employees of the Group was 68 (31.3.2010: 74 employees). Employees' cost (including directors' emoluments) amounted to approximately HK\$10,917,000 for the period ended 30 September 2010 (2009: HK\$10,150,000).

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.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Monday, 20 December 2010 to Wednesday, 22 December 2010, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim 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, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 17 December 2010.

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 period under review.

CODE ON 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 six months ended 30 September 2010 except for the deviations from the following code provisions:

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 one-third of the Board members are represented by Independent Non-executive Directors throughout the period. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term.

All the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company’s Articles of Association. In view of the requirement on Director’s retirement by rotation under the Articles of Association of the Company, the Directors do not consider appointment of Non-executive Directors for specific terms necessary.

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 its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2010.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the respective websites of Hong Kong Exchanges and Clearing Limited www.hkex.com.hk and the Company www.safetygodown.com on 26 November 2010. The interim report for the six months ended 30 September 2010 containing all the information required by the Listing Rules will be published on the above websites and despatched to shareholders in due course.

By Order of the Board
Wong Leung Wai
Company Secretary

Hong Kong, 26 November 2010

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

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Mr. Lu Sin (<i>Chairman</i>)	Mr. Lu Yong Lee	Mr. Gan Khai Choon
Mr. Lui Chi Lung	Mr. Lee Ka Sze, Carmelo	Mr. Lam Ming Leung
Mr. Lu Wing Yee, Wayne		Mr. Leung Man Chiu, Lawrence
Mr. Oen Min Tjin		