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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 – 2010/2011

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 2011 are as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 March 2011

	Notes	2011 HK\$'000	2010 HK\$'000
Turnover	3	<u>95,614</u>	<u>95,106</u>
Income from godown operations		22,262	17,996
Income from property investment		68,480	76,227
Fair value gain on investments held for trading		33,100	12,894
Interest income		888	41
Dividend income		3,984	842
Other income		9,034	4,451
Increase in fair value of investment properties		275,540	210,809
Staff costs		(21,528)	(21,609)
Depreciation of property, plant and equipment		(3,025)	(2,188)
Other expenses		(13,818)	(8,929)
Profit before taxation	5	<u>374,917</u>	290,534
Taxation	6	<u>(60,168)</u>	(46,073)
Profit for the year attributable to owners of the Company		<u>314,749</u>	<u>244,461</u>

	<i>Notes</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Other comprehensive income			
Fair value gain of available-for-sale investments		7,198	9,873
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)
		<hr/>	<hr/>
Other comprehensive income for the year (net of tax)		7,198	11,304
		<hr/>	<hr/>
Total comprehensive income for the year attributable to owners of the Company		321,947	255,765
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – Basic	8	HK\$2.33	HK\$1.81
		<hr/> <hr/>	<hr/> <hr/>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Note	31.3.2011 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i> (restated)	1.4.2009 <i>HK\$'000</i> (restated)
Non-current assets				
Investment properties		1,539,254	1,369,375	1,143,600
Property, plant and equipment		122,006	18,305	19,216
Available-for-sale investments		31,850	24,652	14,779
		<u>1,693,110</u>	<u>1,412,332</u>	<u>1,177,595</u>
Current assets				
Investments held for trading		145,123	61,518	18,726
Trade and other receivables	9	10,463	8,979	8,326
Tax recoverable		1,965	861	338
Bank and other deposits		165,382	156,732	184,792
Bank balances and cash		20,678	68,797	36,861
		<u>343,611</u>	<u>296,887</u>	<u>249,043</u>
Current liabilities				
Other payables		32,301	29,692	30,310
Tax payable		4,568	2,006	1,397
		<u>36,869</u>	<u>31,698</u>	<u>31,707</u>
Net current assets		<u>306,742</u>	<u>265,189</u>	<u>217,336</u>
		<u><u>1,999,852</u></u>	<u><u>1,677,521</u></u>	<u><u>1,394,931</u></u>
Capital and reserves				
Share capital		135,000	135,000	135,000
Share premium and reserves		1,664,438	1,389,741	1,144,776
		<u>1,799,438</u>	<u>1,524,741</u>	<u>1,279,776</u>
Equity attributable to owners of the Company		<u>1,799,438</u>	<u>1,524,741</u>	<u>1,279,776</u>
Non-current liabilities				
Deferred tax liabilities		197,863	150,423	112,857
Provision for long service payments		2,551	2,357	2,298
		<u>200,414</u>	<u>152,780</u>	<u>115,155</u>
		<u><u>1,999,852</u></u>	<u><u>1,677,521</u></u>	<u><u>1,394,931</u></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 (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the Hong Kong Companies Ordinance. 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/CHANGES IN ACCOUNTING POLICIES

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.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 32 (Amendment)	Classification of Right Issues
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners
HK – Int 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in the consolidated financial statements and the Company’s statement of financial position and/or disclosures therein.

Amendments 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 amendments 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 consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require 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 prepaid lease payments with the carrying amount of HK\$10,717,000 and HK\$10,491,000 as at 1 April 2009 and 31 March 2010 respectively being reclassified to property, plant and equipment.

As at 31 March 2011, leasehold land that qualify for finance lease classification with the carrying amount of HK\$10,264,000 have been included in property, plant and equipment. The application of the amendments to HKAS 17 has had no impact on the reported profit or loss for the current and prior years.

The effect of application of amendment to HKAS 17 on the financial positions of the Group which is principally a reclassification between different categories of assets is as follows:

	As at 31.3.2010 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As at 31.3.2010 (restated) <i>HK\$'000</i>
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>18,305</u>	<u>–</u>	<u>18,305</u>

	As at 1.4.2009 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	As at 1.4.2009 (restated) <i>HK\$'000</i>
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>19,216</u>	<u>–</u>	<u>19,216</u>

The effect of application of amendment to HKAS 17 on the results of the Group which is principally a reclassification between different categories of expenses is as follows:

	Year ended 31.3.2010 (originally stated) <i>HK\$'000</i>	Adjustments <i>HK\$'000</i>	Year ended 31.3.2010 (restated) <i>HK\$'000</i>
Depreciation of property, plant and equipment	1,962	226	2,188
Release of prepaid lease payments	226	(226)	–
	<u>2,188</u>	<u>–</u>	<u>2,188</u>

The Group and the Company have not early applied the following new and revised standards, amendments or interpretation that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010 ¹
HKFRS 7 (Amendments)	Disclosures – Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ³
HKFRS 10	Consolidated Financial Statements ³
HKFRS 11	Joint Arrangements ³
HKFRS 12	Disclosure of Involvement with Other Entities ³
HKFRS 13	Fair Value Measurement ³
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets ⁴
HKAS 24 (as revised in 2009)	Related Party Disclosures ⁵
HKAS 27 (as revised in 2011)	Separate Financial Statements ³
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures ³
HK(IFRIC) – Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement ⁵
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments ⁶

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

² Effective for annual periods beginning on or after 1 July 2011

³ Effective for annual periods beginning on or after 1 January 2013

⁴ Effective for annual periods beginning on or after 1 January 2012

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

⁶ Effective for annual periods beginning on or after 1 July 2010

HKFRS 9 “Financial Instruments” (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 “Financial Instruments” (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the consolidated financial statements for financial year ending 31 March 2014 and that the application of the new standard will mainly affect the classification and measurement of the Group’s and Company’s available-for-sale investments but not on the Group’s and the Company’s financial liabilities.

The amendments to HKAS 12 “Deferred Tax: Recovery of Underlying Assets” mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 “Investment Property”. As at 31 March 2011, the deferred tax arising from the revaluation of the properties amounted to HK\$141,173,000. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. If the presumption is not rebutted, the directors anticipate that the application of the amendments to HKAS 12 will have a material impact on deferred tax recognised for investment properties that are measured using the fair value model.

The directors of the Company anticipate that the application of other new and revised standards, amendments or interpretations will have no material impact on the consolidated financial statements.

3. TURNOVER

Turnover represents the following revenue recognised during the year:

	2011	2010
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations	22,262	17,996
Income from property investment	68,480	76,227
Dividend income from listed investments	3,984	842
Interest income	888	41
	<hr/>	<hr/>
	95,614	95,106
	<hr/> <hr/>	<hr/> <hr/>

4. SEGMENT INFORMATION

Information reported externally was analysed on the basis of the operation of the Group’s businesses, including godown operations, property investment and treasury investment, which is the information 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 godown
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 2011

	Godown operations	Property investment	Treasury investment	Segment total	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>						
External revenue	22,262	68,480	4,872	95,614	–	95,614
Inter-segment revenue	–	4,237	–	4,237	(4,237)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	22,262	72,717	4,872	99,851	(4,237)	95,614
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Inter-segment revenue is charged based on market/concessionary rates.

<i>Segment result</i>	7,738	52,167	45,430	105,335	–	105,335
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Increase in fair value of investment properties						275,540
Central administrative costs						(5,958)
						<hr/>
Profit before taxation						374,917
						<hr/> <hr/>

For the year ended 31 March 2010

	Godown operations	Property investment	Treasury investment	Segment total	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Turnover</i>						
External revenue	17,996	76,227	883	95,106	–	95,106
Inter-segment revenue	–	4,559	–	4,559	(4,559)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	17,996	80,786	883	99,665	(4,559)	95,106
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Inter-segment revenue is charged based on market/concessionary rates.

<i>Segment result</i>	5,178	63,424	16,359	84,961	–	84,961
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Increase in fair value of investment properties						210,809
Central administrative costs						(5,236)
						<hr/>
Profit before taxation						290,534
						<hr/> <hr/>

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administrative costs, directors' fees, other expenses that are not directly related to the core business and income tax expenses. 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 corporate assets, other receivables and tax recoverable; and
- all liabilities are allocated to operating segments other than the Group corporate liabilities, other payables, tax payable and deferred tax liabilities.

Information about major customers

The aggregate sales attributable to the Group's five largest customers accounted for 30% (2010: 33%) 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 non-current assets of the Group for both years are located and derived from Hong Kong.

5. PROFIT BEFORE TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit service	754	813
– non-audit service	229	202
Impairment loss recognised on trade receivables (included in other expenses)	148	57
and after crediting:		
Gross rental income from investment properties	68,480	76,227
Less: direct operating expenses for investment properties that generated rental income during the year	<u>(4,102)</u>	<u>(2,100)</u>
Net rental income	64,378	74,127
Dividend income from listed securities		
– available-for-sale investments	701	637
– investments held for trading	3,283	205
Interest income	888	41
Exchange gain, net (included in other income)	8,578	2,845
Gain on disposal of property, plant and equipment (included in other income)	<u>140</u>	<u>–</u>

6. TAXATION

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	12,702	8,775
Underprovision in prior years	26	15
	<u>12,728</u>	<u>8,790</u>
Deferred taxation		
Current year	47,440	37,283
	<u>60,168</u>	<u>46,073</u>

Hong Kong Profits Tax is calculated at 16.5% (2010: 16.5%) of the estimated assessable profit for the year.

7. DIVIDENDS

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim dividend paid in respect of 2011 – HK7 cents (2010: HK4 cents) per ordinary share	9,450	5,400
Special dividend paid in respect of 2011 – HK3 cents (2010: nil) per ordinary share	4,050	–
Final dividend paid in respect of 2010 – HK7 cents (2009: HK4 cents) per ordinary share	9,450	5,400
Special dividend paid in respect of 2010 – HK18 cents (2009: nil) per ordinary share	24,300	–
	<u>47,250</u>	<u>10,800</u>
Dividend proposed:		
Final dividend – HK7 cents (2010: HK7 cents) per ordinary share	9,450	9,450
Special dividend – HK12 cents (2010: HK18 cents) per ordinary share	16,200	24,300

A final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK12 cents per share, amounting to HK\$16,200,000 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 – BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$314,749,000 (2010: HK\$244,461,000) and on 135,000,000 shares in issue throughout both years.

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

9. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60 days to its customers in respect of godown operations and 30 days for tenants. Usually, the Group issues billing in advance to its customers in respect of the property rental business.

The aged analyses of trade customers of the Group presented based on the billing date are as follows:

	31.3.2011 <i>HK\$'000</i>	31.3.2010 <i>HK\$'000</i>	1.4.2009 <i>HK\$'000</i>
Within 60 days	3,940	2,823	2,873
61-90 days	195	285	149
Over 90 days	153	3	36
	<hr/>	<hr/>	<hr/>
	4,288	3,111	3,058
Other receivables	3,724	3,696	3,501
Prepayments and deposits	2,451	2,172	1,767
	<hr/>	<hr/>	<hr/>
	10,463	8,979	8,326
	<hr/> <hr/>	<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 HK12 cents per share, amounting to HK\$16,200,000 for the year ended 31 March 2011, to shareholders whose names appear on the register of members on 19 August 2011 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 29 August 2011. Together with the interim dividend of HK7 cents per share and special dividend of HK3 cents per share already paid, the total distribution for the year ended 31 March 2011 will be HK29 cents per share. Total distribution for the previous year was HK29 cents per share.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Tuesday, 9 August 2011. 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

The Register of Members of the Company will be closed from Tuesday, 16 August 2011 to Friday, 19 August 2011, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed 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, 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Monday, 15 August 2011.

BUSINESS REVIEW

The implementation of the second round of Quantitative Easing Policy by the U.S. since last year, the lingering national debt crisis in some of the eurozone countries, the sharp rise in oil prices as a result of political unrest in the Middle East and North Africa and the radiation issues caused by the devastating earthquake in Japan have all played a part in creating the intricate domestic and external economic environment in Hong Kong. These factors have adversely affected the godown industry in Hong Kong. However, with the support of large clients, the demand for godown service were relatively sufficient, enabling the Group to achieve a satisfactory and stable performance in the godown business.

On property investment, since some of the anchor tenants in Lu Plaza have moved out after expiry of tenancy and the resulted vacancy will take time to fill up and henceforth the overall performance in leasing business was not as good as last year despite an increase in rental rates on new lettings and tenancy renewal this year.

During the year, the Group had increased its portfolio weights in trading securities investment which have offered favourable returns.

OUTLOOK

Though the basic economic situation in the emerging markets has not worsened, the U.S. property market is still awaiting recovery. With the Quantitative Easing Policy drawing to a close, the exceptionally low interest rate cycle over the past few years is also anticipated to end soon. Afterwards the global market will enter an interest rate hiking cycle, which may influence the stability of the investment market.

As 2011 is the first year of China's 12th Five-Year Plan, Hong Kong can fully utilize its advantages in internationalisation, marketisation and as a leading service centre to grasp all available opportunities. It is expected that Mainland China will actively expand domestic demand, and the quantities of imported goods are set to increase, thus benefitting Hong Kong's entrepot trade. Productivity and demand in the Asian region will continue to expand, leading to a rise in trade in the region and bringing benefits to Hong Kong economy. In addition, to cope with the appreciation of the Renminbi and unusual price fluctuations in commodities, traders and manufacturers tend to increase their inventories level in order to lower operating risks, thus contributing to a good and stable performance for the Hong Kong godown industries.

Following the tightening of local interest rates and the implementation of a series of measures by the Hong Kong government to suppress property price hike, the trend of property market is hard to predict. However, the impact on office leasing in non-core commercial district is believed to be less significant. The leasing business of Lu Plaza is expected to remain relatively stable.

As previously reported, the Group was pursuing the possibility of changing the land use of its godown in Kwok Shui Road, Kwai Chung into residential use. However, as demand for commercial units in non-core commercial district increases, redevelopment of the project for commercial use is also being considered. Meanwhile, a preliminary feasibility study is being conducted with the aid of property consultants. Nevertheless, the said project involves land use alterations and the land premium issue is likely to be complicated, the project will not be put into effect in the short run.

For treasury investments, the Group will stay alert to any changes in the markets to minimise investment risks.

FINANCIAL RESULTS

The Group continued to deliver a satisfactory performance this year. Growth was recorded across the godown business and treasury investment. The overall profit of the Group rose by 28.75% from the profit of HK\$244,461,000 last year to a profit of HK\$314,749,000 this year. Total revenue maintained at the level of HK\$95 million. The profit attributable to shareholders after excluding the effect on unrealised gain on fair value changes in investment properties (net of related deferred tax adjustments) saw an increase of 24% to HK\$84,673,000 (2010: HK\$68,435,000). Basic earning per share rose to HK\$2.33 (2010: HK\$1.81).

GODOWN OPERATIONS

The economy of Hong Kong saw its recovery in 2010 despite uncertainties in global economies. China also witnessed a strong GDP growth. Demand for godown and logistic services increased. Turnover in godown operations grew by 23.71% to HK\$22,262,000 with strong improvement in profit margin. Profit margin in godown operations for the year under review increased from 28.77% last year to 34.76% this year, making the profit contribution increased by 49.44% from HK\$5,178,000 to HK\$7,738,000.

During the year, a vacant investment property with 4 storeys located at Safety Godown No. 4 at Kwai Chung with market value of HK\$105,800,000 were transferred to godown operations segment in order to improve the storage capacity.

PROPERTY INVESTMENT

A significant increase in supply of offices in Eastern Kowloon in recent years resulted in increased competition in leasing market in the region. The keen competition adversely affected the performance of the Group's flagship investment property, Lu Plaza, with average occupancy rate fell below 90% during the year. The Group recorded an annual rental income of HK\$68,480,000, a drop of 10.16% against last year. Contribution generated from leasing business decreased by 17.75% to HK\$52,167,000. However, the net worth of the Group's investment properties surged with the booming property market in Hong Kong. At 31 March 2011, the Group's investment properties portfolio were revalued at HK\$1,539,254,000 (31 March 2010: HK\$1,369,375,000). A fair value gain on investment properties of HK\$275,540,000 (2010: HK\$210,809,000) was recognised during the year.

TREASURY INVESTMENT

The Group's treasury investment continued to perform well. Profit earned from treasury investment grew by 177.71%, from the profit level of HK\$16,359,000 last year to HK\$45,430,000 this year, outperforming the Hang Seng Index which rose only 10.77% during the period under review.

During the year, the Group had increased its investment weightings in trading securities. The portfolio value of securities investment increased by 135.90% from HK\$61,518,000 at last year end to HK\$145,123,000 at 31 March 2011. Dividend income and interest income also increased to HK\$3,984,000 and HK\$888,000 (2010: HK\$842,000 and HK\$41,000) respectively.

The Group also recorded a fair value gain on available-for-sale investment of HK\$7,198,000 (2010: HK\$9,873,000). As at 31 March 2011, the available-for-sale investment amounted to HK\$31,850,000 (31 March 2010: HK\$24,652,000).

Securities investment held for trading and available-for-sale investments principally comprised securities listed in Hong Kong. The Group does not engage in any derivative or hedging instruments investment. The foreign currency exposure mainly related to foreign currency bank deposits. During the year, the Group had net exchange gain of HK\$8,578,000 (2010: HK\$2,845,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong cash position. As at 31 March 2011, the Group's total bank balances and bank deposits amounted to HK\$186,060,000 (31 March 2010: HK\$225,529,000). All deposits are placed with institutions with strong credit rating. The liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities), maintained at 9.32 times as at 31 March 2011 compared to 9.37 times as at 31 March 2010.

The Group neither had bank borrowings nor any other loan liabilities over the past few years. The debt-to-equity ratio (interest bearing borrowings divided by shareholders' equity) stood at zero. The non-current liabilities included in the consolidated statement of financial position were only deferred tax liabilities and provision for long service payments. The Group has sufficient reserves to satisfy its short term investments and working capital requirements.

The shareholders' funds as at 31 March 2011 amounted to HK\$1,799,438,000, a further increase of 18.02% against last year, with the net asset value per share of the Company as at 31 March 2011 rose to HK\$13.33 (31 March 2010: HK\$11.29).

DIVIDEND POLICY

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. Except for 2009 which the Group's results was undermined by the financial tsunami, the Group 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

At 31 March 2011, the Group has pledged its property, plant and equipment with carrying values of HK\$109,433,000 (2010: investment properties of HK\$93,000,000 and property, plant and equipment of HK\$4,763,000 respectively) to a bank to secure a general banking facility to the extent of HK\$69,000,000 (2010: HK\$69,000,000) granted to the Group. At 31 March 2010 and 31 March 2011, this facility was not utilised by the Group.

EMPLOYEES

As at 31 March 2011, the Group employed 65 (31 March 2010: 72) employees. Total staff costs maintained at the level of HK\$21,528,000 (2010: HK\$21,609,000). 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 upon staff performance and results of the Group. The Group does not have any share option scheme for employees.

CONTINGENT LIABILITIES

As at 31 March 2011, 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 2011.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2011 except for the deviations from the code provisions A.2.1 and A.4.1:

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 at least 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 the 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. All Non-executive Directors are appointed with no specific term which is a deviation from provision A.4.1 of the Code. However, 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 provision and therefore does not intend to take any remedial steps in this regard.

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 2011.

OTHER INFORMATION

The annual report of the Company for the year ended 31 March 2011 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, 28 June 2011

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

Lu Sin	<i>Chairman and Managing Director</i>
Lui Chi Lung	<i>Executive Director</i>
Lu Wing Yee, Wayne	<i>Executive Director</i>
Oen Min Tjin	<i>Executive Director</i>
Lu Yong Lee	<i>Non-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>