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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 – 2017/2018

FINANCIAL HIGHLIGHTS

- Turnover: HK\$60,799,000, decrease 3.54% (2016: HK\$63,028,000)
- Profit attributable to owners of the Company: HK\$208,965,000, up 43.08% (2016: HK\$146,051,000)
- Bank balance: HK\$608,490,000 (31.3.2017: HK\$792,478,000)
- Earnings per share: HK\$1.55 (2016: HK\$1.08)
- Net asset value per share: HK\$32.22 (31.3.2017: HK\$31.09)
- Interim dividend: HK28 cents per share (2016: HK8 cents per share and a special dividend of HK22 cents per share)

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 2017. 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.

For the six months ended 30 September 2017, the Group recorded profit attributable to shareholders of approximately HK\$208,965,000 (six months ended 30 September 2016: HK\$146,051,000), representing an increase of 43.08% as compared to the corresponding period in 2016. Total revenue decreased slightly by 3.54% from HK\$63,028,000 to HK\$60,799,000, mainly due to drop of revenue from godown operations. The Group’s underlying profit excluding fair value gain on investment properties grew by 10.39% to HK\$57,380,000 (six months ended 30 September 2016: HK\$51,977,000).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended	
		30.9.2017 (unaudited) HK\$'000	30.9.2016 (unaudited) HK\$'000
Revenue	3	<u>60,799</u>	<u>63,028</u>
Income from godown operations		11,249	17,854
Income from property investment		40,659	39,118
Interest income		2,131	1,524
Dividend income		6,760	4,532
Gain on disposal of available-for-sale investments		–	19,782
Other gains and losses		26,955	1,432
Increase in fair value of investment properties		151,585	94,074
Staff costs		(6,299)	(6,374)
Depreciation of property, plant and equipment		(3,788)	(3,506)
Other expenses		<u>(14,694)</u>	<u>(15,885)</u>
Profit before taxation		214,558	152,551
Taxation	4	<u>(5,593)</u>	<u>(6,500)</u>
Profit for the period attributable to owners of the Company		<u>208,965</u>	<u>146,051</u>
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owned-occupied properties to investment properties		78,092	–
Item that may be reclassified subsequently to profit or loss:			
Investment revaluation reserve released upon disposal of available-for-sale investments		–	(20,601)
Other comprehensive income (expense) for the period		<u>78,092</u>	<u>(20,601)</u>
Total comprehensive income for the period attributable to owners of the Company		<u>287,057</u>	<u>125,450</u>
Earnings per share – Basic	6	<u>HK\$1.55</u>	<u>HK\$1.08</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	<i>Notes</i>	30.9.2017 (unaudited) HK\$'000	31.3.2017 (audited) HK\$'000
Non-current assets			
Investment properties		3,133,200	3,081,000
Property, plant and equipment		84,065	87,708
Held-to-maturity investment		23,239	23,239
Derivative financial instruments		–	15,049
		<u>3,240,504</u>	<u>3,206,996</u>
Current assets			
Investments held for trading		424,488	313,621
Trade and other receivables	7	15,617	17,095
Tax recoverable		190	604
Bank deposits		252,195	563,534
Other deposits		167,348	13,763
Bank balances and cash		188,947	215,181
		<u>1,048,785</u>	<u>1,123,798</u>
Assets classified as held for sale	8	<u>194,280</u>	–
		<u>1,243,065</u>	<u>1,123,798</u>
Current liabilities			
Other payables		49,723	58,883
Tax payable		4,117	905
		<u>53,840</u>	<u>59,788</u>
Liabilities associated with assets classified as held for sale	8	<u>420</u>	–
		<u>54,260</u>	<u>59,788</u>
Net current assets		<u>1,188,805</u>	<u>1,064,010</u>
Total assets less current liabilities		<u>4,429,309</u>	<u>4,271,006</u>

	30.9.2017 (unaudited) <i>HK\$'000</i>	31.3.2017 (audited) <i>HK\$'000</i>
Non-current liabilities		
Long-term tenants' deposits received	18,183	13,499
Deferred tax liabilities	61,616	60,054
Provision for long service payments	412	412
	<u>80,211</u>	<u>73,965</u>
Net assets	<u>4,349,098</u>	<u>4,197,041</u>
Capital and reserves		
Share capital	178,216	178,216
Reserves	4,068,255	4,018,825
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets classified as held for sale	102,627	–
Equity attributable to owners of the Company	<u>4,349,098</u>	<u>4,197,041</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”).

The financial information relating to the year ended 31 March 2017 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2017 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2017.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards (“HKAS(s)”) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of Annual Improvements to HKFRSs 2014-2016 Cycle

The application of the above revised HKFRSs in the current interim period has had no material impact on the Group’s financial performance and position for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements. Additional disclosures about changes in liabilities arising from financing activities, including both changes from cash flows and non-cash changes on application of amendments of HKAS 7 will be provided in the consolidated financial statements for the year ending 31 March 2018.

3. SEGMENT INFORMATION

The Group’s operating segments, based on information reported to the chief operating decision maker, the executive director 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

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 September 2017

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Segment total HK\$'000	Consolidated HK\$'000
Revenue					
Segment revenue	11,249	40,659	8,891	60,799	60,799
Segment profit	5,976	26,467	33,945	66,388	66,388
Increase in fair value of investment properties					151,585
Central administrative costs					(3,415)
Profit before taxation					214,558

For the six months ended 30 September 2016

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Segment total HK\$'000	Consolidated HK\$'000
Revenue					
Segment revenue	17,854	39,118	6,056	63,028	63,028
Segment profit	8,193	29,294	24,430	61,917	61,917
Increase in fair value of investment properties					94,074
Central administrative costs					(3,440)
Profit before taxation					152,551

Segment profit represents the profit earned incurred by each segment without allocation of central administrative costs, directors' emoluments, change in fair value of investment properties, 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 for the purposes of resources allocation and performance assessment.

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

	30.9.2017 <i>HK\$'000</i>	31.3.2017 <i>HK\$'000</i>
Godown operations	71,130	77,802
Property investment	3,157,762	3,106,384
Treasury investment	<u>869,166</u>	<u>930,201</u>
Total segment assets	<u>4,098,058</u>	<u>4,114,387</u>
Godown operations	2,165	2,474
Property investment	37,226	31,612
Treasury investment	<u>2,254</u>	<u>24,149</u>
Total segment liabilities	<u>41,645</u>	<u>58,235</u>

4. TAXATION

	Six months ended	
	30.9.2017 <i>HK\$'000</i>	30.9.2016 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	3,626	4,498
Deferred taxation	<u>1,967</u>	<u>2,002</u>
	<u>5,593</u>	<u>6,500</u>

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	
	30.9.2017 <i>HK\$'000</i>	30.9.2016 <i>HK\$'000</i>
Dividends paid:		
Final dividend paid in respect of the year ended 31 March 2017 of HK12 cents (2016: HK12 cents) per ordinary share	16,200	16,200
Special dividend paid in respect of the year ended 31 March 2017 of HK88 cents (2016: HK\$3.88) per ordinary share	<u>118,800</u>	<u>523,800</u>
	<u>135,000</u>	<u>540,000</u>

Subsequent to the end of the reporting period, the directors of the Company have proposed that an interim dividend of HK28 cents (six months ended 30.9.2016: HK8 cents and a special dividend of HK22 cents) per share, amounting to HK\$37,800,000 (six months ended 30.9.2016: HK\$40,500,000) be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2017. The interim dividend will be paid on around 12 January 2018.

6. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$208,965,000 (six months ended 30.9.2016: HK\$146,051,000) and on 135,000,000 (six months ended 30.9.2016: 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 throughout 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 and 30 days for tenants. Before accepting any new customer, the Group will assess the potential customer's credit quality. Credit limits allowed to customers are reviewed once a year.

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

	30.9.2017	31.3.2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables		
Within 60 days	4,912	4,872
61-90 days	295	322
Over 90 days	21	454
	5,228	5,648
Other receivables	1,190	2,490
Prepayments and deposits	9,199	8,957
	15,617	17,095

8. DISPOSAL GROUP HELD FOR SALE

During the period, the directors resolved to dispose of investment properties which held through its indirectly wholly-owned subsidiary (the "Disposal Group"). Sale and Purchase agreement has been signed on 18 July 2017. The assets and liabilities attributable to the Disposal Group, which is expected to be sold within twelve months, have been classified as held for sale and are presented separately in the condensed consolidated statement of financial position. The net proceeds of disposal are expected to exceed the net carrying amounts of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities of the Disposal Group classified as held for sale are as follows:

	30.9.2017 HK\$'000
Investment properties	193,800
Prepayments and deposits	<u>480</u>
Total assets classified as held for sale	<u><u>194,280</u></u>
Other payables	(14)
Deferred tax liabilities	<u>(406)</u>
Total liabilities associated with assets classified as held for sale	<u><u>(420)</u></u>

Cumulative amount of HK\$102,627,000 relating to the Disposal Group classified as held for sale has been recognised in other comprehensive income and included in equity.

9. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$559,000 (six months ended 30.9.2016: HK\$577,000).

BUSINESS REVIEW

During the period under review, the U.S. economy witnessed moderate growth. Salaries were gradually pushed up by the pressures of tight human resources, inflation entered an upward trend, the progressive increase in the interest rate is expected to continue, but the increment could be milder. Hong Kong has been fortunate to be supported by its motherland, combined with good timing and good infrastructure, transport facilities and advantages in international trade, the economy has sustained steady growth.

The performance of the Group's godown business dropped slightly in the first half of the year. To respond to new market development and to maintain the robust operation of traditional warehousing, the Group is planning to strengthen its godown and logistics business services. To date, a few million dollars have already been invested to upgrade the hardware configuration of the Safety Logistics (Kwai Chung). We hope the upgrade will bring about improved efficiency and hopefully reducing operating costs.

Revenue generated from godown business in the first half of the year was HK\$11,249,000 (six months ended 30 September 2016: HK\$17,854,000), segment profits were HK\$5,976,000 (six months ended 30 September 2016: HK\$8,193,000). The reduction was mainly due to the selling of Chivas Godown.

Rental income from property investment business recorded at HK\$40,659,000 (six months ended 30 September 2016: HK\$39,118,000), while profits registered at HK\$26,467,000 (six months ended 30 September 2016: HK\$29,294,000). The slightly lower profits are the result of the high repair and maintenance cost associated with the revitalization work in Lu Plaza.

In the treasury investment, interest income and dividend income totalled HK\$8,891,000 (six months ended 30 September 2016: HK\$6,056,000), while profit generated from treasury investment reached HK\$33,945,000 (six months ended 30 September 2016: HK\$24,430,000), marking a slight increase over last year.

The revitalization project work of Lu Plaza has been completed and approval has been successfully obtained following stringent inspection by relevant authorities. The leasing department is actively identifying suitable tenants and recruiting retail, food and beverage outlets and shops, striving to create a commercial image for the property and to further enhance the quality of services for tenants.

OUTLOOK

The possible increase in the interest rates of the debts in the U.S. and the major economies may have a significant impact on the economy in the future. Amidst various economic challenges, Hong Kong must make use of its advantages in e-commerce and cross-border e-commerce, as well as the mega Chinese economy as its hinterland, in order to grow further. Now that Hong Kong has been integrated into the bigger picture of national development, the warehousing and logistics sectors, which have traditionally been part of the four pillar industries of Hong Kong, may expect to uncover business opportunities in the “Belt and Road” initiative and the construction of the Guangdong-Hong Kong-Macau Bay Greater Area.

As for the leasing business in the Lu Plaza commercial building, rental income is expected to increase upon completion of its revitalization project.

FINANCIAL REVIEW

Godown operations

Slowing mainland economy and weak global trade markets together with the intense competition from across the border continued to set a challenging backdrop for Hong Kong’s godown industry. Customers reduces its inventory holding level in order to cut costs which led to general reduction in demand for godown services. As the sale and lease back arrangement of 8th Floor Chivas Godown terminated in December last year, the godown space reduced. Accordingly, the godown income recorded a drop of 36.99% to HK\$11,249,000 compare to last corresponding period. Segment profit in effect fell 27.06% to 5,976,000 (six months ended 30 September 2016: HK\$8,193,000).

The lagged effects of the weak external trading environment continued to weigh on the warehouse rents. Average warehouse rent dropped from HK\$74 per cubic meter for the six months ended 30 September 2016 to HK\$69 per cubic meter, while average occupancy level reduced from 77% for the six months ended 30 September 2016 to 66% during the period under review.

Property investment

Rents in Kowloon East experienced a minor rebound. Being supported by renewals of existing tenants, leasing activities in Lu Plaza picked up slightly during the period with rental income from investment properties rose by 3.94% to HK\$40,659,000 (six months ended 30 September 2016: HK\$39,118,000), while the segment profit dropped to HK\$26,467,000 (six months ended 30 September 2016: HK\$29,294,000). The drop in segment profit was mainly due to increase in repair and maintenance cost in Lu Plaza and commission paid to property agents for introducing new tenants. Occupancy rate in Lu Plaza during the third quarter 2017 delivered an increase to approximately 83%. Given a large volume of new supply of office space in Kowloon East in the coming years, we anticipate rents in Kowloon East will remain subdued.

The persistence of negative real interest rates continue to support property investment activity in Hong Kong. The office property market has enjoyed a robust in the first 9 months of the year. On 18 July 2017, the Group entered into the Sale and Purchase Agreement to sell its wholly owned subsidiary, Topgrade Enterprises Limited and Magic Aim Enterprises Limited, having the net asset value of approximately HK\$102,600,000 as at 30 September 2017, which owns the property comprising the entire 8th Floor and 8 carpark spaces of One Harbour Square at 181 Hoi Bun Road, Kwun Tong at the sale consideration of HK\$196,000,000 with completion date on 17 November 2017. Details of the disposal was disclosed in the Announcement dated 18 July 2017. The property had been reclassified as assets held for sale at 30 September 2017 in the condensed consolidated statement of financial position.

During the period, the Group recorded a fair value gain on investment properties of HK\$151,585,000 (six months ended 30 September 2016: HK\$94,074,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income. In addition, certain properties with a carrying value of HK\$908,000 have been transferred to investment properties for rental income purposes. The fair value gain on such transfer in the amount of HK\$78,092,000 was recognised in property revaluation reserve and other comprehensive income.

Treasury investment

The Group continued to deliver good results in treasury investment. Profits from treasury investment climbed by 38.95% to HK\$33,945,000 (six months ended 30 September 2016: HK\$24,430,000). Dividend and interest income totaled HK\$8,891,000 (six months ended 30 September 2016: HK\$6,056,000), edged by 46.81%. Fair value gain on trading securities amounted to HK\$26,217,000 (six months ended 30 September 2016: HK\$35,912,000) while fair value gain on derivative financial instrument amounted to HK\$110,000 (six months ended 30 September 2016: loss of HK\$34,559,000).

In order to maintain a diversified investment portfolio, the Group had broadened the investment portfolio to include U.S. equities, worldwide equity funds and bonds, etc. Securities investment held for trading increased by 35.35% to HK\$424,488,000 (31 March 2017: HK\$313,621,000), which represents 9.76% (31 March 2017: 7.47%) of the net assets of the Group. The Group will continue to adopt a prudent investment approach in treasury investment.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2017, the Group had cash and bank balance in the total amount of HK\$608,490,000 (31 March 2017: HK\$792,478,000), while the total payables under current liabilities amounted to HK\$53,840,000 (31 March 2017: HK\$59,788,000). Current ratio stood at 22.91 times (31 March 2017: 18.80 times) and the Group had no bank borrowing.

Net assets of the Group ended higher by 3.62% to HK\$4,349,098,000 (31 March 2017: HK\$4,197,041,000) with net asset value per share increased to HK\$32.22 (31 March 2017: HK\$31.09) per share.

OPERATING AND ADMINISTRATIVE EXPENSES

Other expenses reduced by 7.5% to HK\$14,694,000 (six months ended 30 September 2016: HK\$15,885,000), mainly because of the termination of lease back arrangement of Chivas Godown after its sale last year.

EMPLOYEES

As at 30 September 2017, the Group had a total of 34 (31 March 2017: 37) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. Staff cost (including Directors' emoluments) decreased by 1.18% to HK\$6,299,000 (six months ended 30 September 2016: HK\$6,374,000).

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.

EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment in U.S. dollar securities and deposits and Australian dollar deposits. Since the Hong Kong dollar is pegged to U.S. dollar, the management is of the opinion that the foreign exchange risk of financial instruments denominated in U.S. dollar is insignificant. During the period, the Group recorded exchange gain of HK\$609,000 (six months ended 30 September 2016: exchange loss HK\$1,249,000). As at 30 September 2017, the total value of the Australian dollar deposits amounted to approximately HK\$7,995,000 (31 March 2017: HK\$1,166,000).

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities (31 March 2017: nil).

PLEDGE OF ASSETS

As at 30 September 2017, the Group did not have any pledge of assets (31 March 2017: nil).

DIVIDENDS

The Directors have declared an interim dividend of HK28 cents (six months ended 30 September 2016: HK8 cents and a special dividend of HK22 cents) per share be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2017. The interim dividend and special dividend will be paid on or around 12 January 2018.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 20 December 2017 to Friday, 22 December 2017, 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, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 19 December 2017.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the period under review.

CORPORATE GOVERNANCE

The Board of Directors ("the Board") is committed to achieving and maintaining high standards of corporate governance practices for the purpose of providing a framework and solid foundation for its business operation and development. Effective corporate governance provides probity, transparency, accountability which contributes to the corporate success and enhancement of shareholder value.

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the period ended 30 September 2017 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

CG Code Provisions A.2.1 to A.2.9 stipulate (i) that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual and (ii) the division of responsibilities between the chairman of the board and the chief executive officer shall be clearly established.

The late Mr. Lu Sin assumed the roles of both the Chairman and the Chief Executive Officer of the Company. Following the death of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this interim report.

The Board has kept review of its current structure from time to time. If any candidate with suitable skills and experiences is identified within or outside the Group, the Company will make necessary appointment to fill these positions in due course.

CG Code Provision A.4.1 stipulates that Non-executive directors should be appointed for a specific term. However, all Non-executive Directors of the Company are appointed with no specific term.

CG 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) of the Company 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.

CG Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting.

Since the death of Mr. Lu Sin (the late Chairman), the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, has been elected and acted as chairman of the annual general meeting of the Company held on 18 August 2017 in accordance with the Articles of Association of the Company.

CG Code Provision F.1.3 stipulates that the company secretary should report to the chairman of the board and/or the chief executive.

As the position of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reported to the Executive Director of the Company.

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 Company’s code of conduct governing dealing by all directors in the securities 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 six months ended 30 September 2017.

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 of the Company www.safetygodown.com on 28 November 2017. The interim report for the six months ended 30 September 2017 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, 28 November 2017

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

Executive Director	Non-executive Director	Independent Non-executive Directors
Mr. Lu Wing Yee, Wayne	Mr. Lee Ka Sze, Carmelo	Mr. Gan Khai Choon Mr. Lam Ming Leung Mr. Leung Man Chiu, Lawrence