



# SAFETY GODOWN COMPANY, LIMITED

## 安全貨倉有限公司

(Incorporated in Hong Kong with limited liability)

(Stock code: 237)

### ANNUAL RESULTS ANNOUNCEMENT – 2008/2009

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 2009 are as follows:

#### CONSOLIDATED INCOME STATEMENT

For The Year Ended 31 March 2009

	Notes	2009 HK\$'000	2008 HK\$'000
Turnover	3	<u>109,786</u>	<u>100,001</u>
Income from godown operations		23,914	26,507
Income from property investment		82,718	66,981
(Losses) gains on investments			
Fair value (loss) gain on investments held for trading		(10,871)	11,404
Gain on disposals of available-for-sale investments		–	11,419
Impairment loss on available-for-sale investments		(7,568)	–
Interest income		2,071	5,049
Dividend income		1,083	1,464
Other income		1,873	11,632
(Decrease) increase in fair value of investment properties		(264,075)	95,000
Staff costs		(20,263)	(21,487)
Depreciation of property, plant and equipment		(1,902)	(2,827)
Release of prepaid lease payments		(227)	(412)
Other expenses		<u>(13,155)</u>	<u>(11,000)</u>
(Loss) profit before taxation	5	(206,402)	193,730
Taxation	6	<u>39,456</u>	<u>(32,047)</u>
(Loss) profit for the year attributable to shareholders		<u>(166,946)</u>	<u>161,683</u>
Dividends	7		
Paid		<u>25,650</u>	<u>33,750</u>
Proposed		<u>5,400</u>	<u>20,250</u>
(Loss) earnings per share – Basic	8	<u>(HK\$1.24)</u>	<u>HK\$1.20</u>

# CONSOLIDATED BALANCE SHEET

At 31 March 2009

	<i>Note</i>	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Investment properties		<b>1,143,600</b>	1,372,200
Property, plant and equipment		<b>8,499</b>	10,014
Prepaid lease payments		<b>10,490</b>	10,717
Available-for-sale investments		<b>14,779</b>	32,997
		<b>1,177,368</b>	1,425,928
<b>CURRENT ASSETS</b>			
Prepaid lease payments		<b>227</b>	227
Investments held for trading		<b>18,726</b>	11,056
Trade and other receivables	9	<b>8,326</b>	7,866
Tax recoverable		<b>338</b>	546
Bank deposits for investment purpose		<b>184,792</b>	207,377
Bank balances and cash		<b>36,861</b>	28,559
		<b>249,270</b>	255,631
<b>CURRENT LIABILITIES</b>			
Other payables		<b>30,310</b>	31,142
Tax payable		<b>1,397</b>	4,247
		<b>31,707</b>	35,389
<b>NET CURRENT ASSETS</b>			
		<b>217,563</b>	220,242
		<b>1,394,931</b>	1,646,170
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>135,000</b>	135,000
Reserves		<b>1,144,776</b>	1,347,277
		<b>1,279,776</b>	1,482,277
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax liabilities		<b>112,857</b>	161,356
Provision for long service payments		<b>2,298</b>	2,537
		<b>115,155</b>	163,893
		<b>1,394,931</b>	1,646,170

## NOTES:–

### 1. BASIS OF PREPARATION

The 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 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 financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the HKICPA, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

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

HKFRSs (Amendments)	Improvements to HKFRSs <sup>1</sup>
HKFRSs (Amendments)	Improvements to HKFRSs 2009 <sup>2</sup>
HKAS 1 (Revised)	Presentation of Financial Statements <sup>3</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>3</sup>
HKAS 27 (Revised)	Consolidated and Separate Financial Statements <sup>4</sup>
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation <sup>3</sup>
HKAS 39 (Amendment)	Eligible Hedged Items <sup>4</sup>
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate <sup>3</sup>
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards <sup>4</sup>
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations <sup>3</sup>
HKFRS 3 (Revised)	Business Combinations <sup>4</sup>
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments <sup>3</sup>
HKFRS 8	Operating Segments <sup>3</sup>
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives <sup>5</sup>
HK(IFRIC) – Int 13	Customer Loyalty Programmes <sup>6</sup>
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate <sup>3</sup>
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation <sup>7</sup>
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners <sup>4</sup>
HK(IFRIC) – Int 18	Transfers of Assets from Customers <sup>8</sup>

- <sup>1</sup> Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
- <sup>2</sup> Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
- <sup>3</sup> Effective for annual periods beginning on or after 1 January 2009
- <sup>4</sup> Effective for annual periods beginning on or after 1 July 2009
- <sup>5</sup> Effective for annual periods ending on or after 30 June 2009
- <sup>6</sup> Effective for annual periods beginning on or after 1 July 2008
- <sup>7</sup> Effective for annual periods beginning on or after 1 October 2008
- <sup>8</sup> Effective for transfers on or after 1 July 2009

The adoption of HKAS 1 (Revised) will result in a change in presentation of the primary statements of the financial statements. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

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

### 3. TURNOVER

Turnover represents the following revenue recognised during the year:

	<b>2009</b>	2008
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations	<b>23,914</b>	26,507
Income from property investment	<b>82,718</b>	66,981
Dividend income from listed investments	<b>1,083</b>	1,464
Interest income	<b>2,071</b>	5,049
	<hr/>	<hr/>
	<b>109,786</b>	100,001
	<hr/> <hr/>	<hr/> <hr/>

### 4. SEGMENT INFORMATION

#### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As more than 90% of the business operations of the Group are located and derived from Hong Kong, geographical segment information is not presented in these financial statements.

#### Business segments

For management purposes, the Group is currently organised into three operating divisions – godown operations, property investment and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Godown operations	–	Operation of godown
Property investment	–	Leasing of investment properties
Treasury investment	–	Securities trading and investment, and placing of bank deposits in local and foreign currencies

Segment information about these businesses is presented below:

**For the year ended 31 March 2009**

	<b>Godown operations</b>	<b>Property investment</b>	<b>Treasury investment</b>	<b>Eliminations</b>	<b>Consolidated</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>					
External revenue	23,914	82,718	3,154	–	109,786
Inter-segment revenue	–	5,676	–	(5,676)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	<b>23,914</b>	<b>88,394</b>	<b>3,154</b>	<b>(5,676)</b>	<b>109,786</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inter-segment revenue is charged based on market/concessionary rates.					
<b>Segment result</b>	<b>9,385</b>	<b>(192,576)</b>	<b>(18,207)</b>	<b>–</b>	<b>(201,398)</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unallocated corporate expenses					(5,004)
					<hr/>
Loss before taxation					(206,402)
Taxation					39,456
					<hr/>
Loss for the year attributable to shareholders					<b>(166,946)</b>
					<hr/> <hr/>

For the year ended 31 March 2008

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>					
External revenue	26,507	66,981	6,513	–	100,001
Inter-segment revenue	–	5,676	–	(5,676)	–
Total	<u>26,507</u>	<u>72,657</u>	<u>6,513</u>	<u>(5,676)</u>	<u>100,001</u>

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

<b>Segment result</b>	<u>7,785</u>	<u>151,897</u>	<u>37,916</u>	<u>–</u>	197,598
Unallocated corporate expenses					(4,864)
Gain on deregistration of a subsidiary					996
Profit before taxation					193,730
Taxation					(32,047)
Profit for the year attributable to shareholders					<u>161,683</u>

## 5. (LOSS) PROFIT BEFORE TAXATION

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	698	690
Impairment loss recognised on trade receivables	–	61
Exchange loss, net	2,654	–
and after crediting:		
Gross rental income from investment properties	82,718	66,981
Less: direct operating expenses from investment properties that generated rental income during the year	<u>(1,844)</u>	<u>(1,800)</u>
Net rental income	80,874	65,181
Dividend income from listed securities		
– available-for-sale investments	892	1,058
– investments held for trading	191	406
Gain on disposal of property, plant and equipment	–	313
Gain on deregistration of a subsidiary	–	996
Interest income on financial assets not at fair value through profit or loss	2,071	5,049
Exchange gain, net	<u>–</u>	<u>8,823</u>

## 6. TAXATION

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	<b>8,567</b>	8,838
Overprovision in prior years	<b>(269)</b>	(36)
The People's Republic of China ("PRC") Enterprise Income Tax		
Underprovision in prior years	—	1,158
	<b>8,298</b>	9,960
Deferred taxation		
Current year	<b>(39,279)</b>	22,087
Effect on change in tax rate	<b>(8,475)</b>	—
	<b>(47,754)</b>	22,087
	<b>(39,456)</b>	32,047

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 March 2009. The deferred tax liability balance at 31 March 2009 has been adjusted to reflect the tax rate that is expected to apply to the respective periods when the asset is realised or the liability is settled.

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

## 7. DIVIDENDS

	<b>2009</b> <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Interim dividend paid in respect of 2009 - HK4 cents (2008: HK7 cents) per ordinary share	<b>5,400</b>	9,450
Special interim dividend paid in respect of 2009 - nil (2008: HK3 cents) per ordinary share	—	4,050
Final dividend paid in respect of 2008 - HK7 cents (2007: HK7 cents) per ordinary share	<b>9,450</b>	9,450
Special dividend paid in respect of 2008 - HK8 cents (2007: HK8 cents) per ordinary share	<b>10,800</b>	10,800
	<b>25,650</b>	33,750

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
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Dividend proposed:

Final dividend - HK4 cents (2008: HK7 cents) per ordinary share	5,400	9,450
Special dividend - nil (2008: HK8 cents) per ordinary share	—	10,800
	<u>5,400</u>	<u>20,250</u>

A final dividend of HK4 cents per share, amounting to HK\$5,400,000 for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

#### 8. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to shareholders of HK\$166,946,000 (2008: profit for the year attributable to shareholders of HK\$161,683,000) and on 135,000,000 shares in issue throughout both years.

No diluted (loss) 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. 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 are as follows:

	2009 <i>HK\$'000</i>	2008 <i>HK\$'000</i>
Within 60 days	2,873	3,112
61-90 days	149	426
Over 90 days	36	71
	<u>3,058</u>	<u>3,609</u>
Other receivables	3,501	2,680
Prepayments and deposits	1,767	1,577
	<u>8,326</u>	<u>7,866</u>



## **DIVIDENDS**

The Board of Directors has resolved to recommend the payment of a final dividend of HK4 cents per share, amounting to HK\$5,400,000 for the year ended 31 March 2009, to shareholders whose names appear on the register of members on 7 August 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final dividend will be despatched to shareholders on or about 14 August 2009. Together with the interim dividend of HK4 cents per share already paid, the total distribution for the year ended 31 March 2009 will be HK8 cents per share. Total distribution for the previous year was HK25 cents per share.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held on Friday, 7 August 2009. The notice of Annual General Meeting will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.safetygodown.com](http://www.safetygodown.com) and despatched to the shareholders in due course as required by the Listing Rules.

## **CLOSURE OF MEMBERS REGISTER**

The Register of Members of the Company will be closed from Wednesday, 5 August 2009 to Friday, 7 August 2009, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final 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 Tuesday, 4 August 2009.

## **BUSINESS REVIEW**

In the aftermath of the outbreak of the financial tsunami, property prices plummeted generally, there is no way for the Group to remain unaffected. A loss has been recorded for the year 2008/2009 as a revaluation loss in investment properties was recognised in the income statement for the year.

As Hong Kong faces a very challenging economic environment due to the globally widespread impact of the financial tsunami, the Group's business has also been affected, particularly after the winding-up of the Lehman Brothers in the second half of the year. Property leasing business has performed better than expected but that was principally attributable to the fairly higher rentals agreed for leases entered in the previous year and the slightly bigger areas of properties leased than before. Performance of our godown operations was relatively stable during the first half of the year but has obviously worsened right from the beginning of 2009 when weakening trends appeared for both godown occupancy rate and turnover of goods. As to the treasury investment, the Group would continue to review the investment performance of its financial assets held and identify new investment opportunities from time to time to achieve positive returns in addition to a guaranteed return on capital in this unstable market. However, as the stock and foreign exchange markets have remained volatile and interest rate of bank deposits has been kept at a very low level, a loss in treasury investment of approximately HK\$18 million has been recorded for the year, including an impairment loss of approximately HK\$7.6 million on available-for-sale investments. The Group has no holdings in share or foreign exchange accumulator products.

## **OUTLOOK**

As Hong Kong's economy is badly hit by the global financial tsunami, manufacturing, trading and godown industries would naturally be under impact of the economic slowdown. Business environment becomes increasingly severe. The property leasing market is weak, leading to the pressure for rental cuts. Further, difficulty in retaining tenants would be expected as a result of the increased supply in office space following the completion of new office buildings in East Kowloon. Therefore, the Group plans to renovate its properties for higher rental values with its cash assets when appropriate.

Hong Kong is experiencing a downturn in import, export and entrepot volumes generally. According to recently available figures, the drop is over 20%, which has been rare for decades. Although the demand for godown spaces has fallen sharply, apparently there is not much room for further reduction in operating costs.

In view of these, the Group is relatively cautious about the future results of its operations. Unless the governments and central banks of the European countries and the U.S. take further fundamentally effective rescue and reform measures for their financial systems, there are still great hidden risks with the global economy in the foreseeable future. While Hong Kong's economy remains weak with no revival, it is unlikely that the Group can be optimistic about its operating results.

## **FINANCIAL REVIEW**

Turnover of the Group for the year was HK\$109,786,000, an increase of HK\$9,785,000 or 9.78% when compared with last year. Turnover comprised mainly rental income from property investment and income from godown operations. The increase in turnover was mainly attributable to the increase in rental income from property investment.

## **PROPERTY INVESTMENT**

The Group's property rental income for the year increased by 23.49% to HK\$82,718,000 (2008: HK\$66,981,000). Profit contribution from property investment excluding the fair value loss on investment properties of HK\$264,075,000 (2008: fair value gain of HK\$95,000,000) amounted to HK\$71,499,000, an increase of 25.66% compared to the profit contribution of HK\$56,897,000 in 2008. This was primarily attributable to the growth in rental revenue in property investment.

## **GODOWN OPERATION**

Turnover in godown operation dropped by 9.78% for the year mainly as a result of a certain number of godown spaces had been changed to investment property for leasing purposes. However, with a satisfactory reduction in operational costs, profit contribution from godown operations increased by 20.55% to HK\$9,385,000 (2008: HK\$7,785,000).

## **TREASURY INVESTMENT**

The Group's performance in treasury investment was directly impacted by the downturn in global stock markets during the year. The Group suffered losses in treasury investment of HK\$18,207,000 (2008: profit of HK\$37,916,000), which included a loss in foreign exchange of HK\$2,654,000 (2008: gain in foreign exchange of HK\$8,823,000). Although the Group has not disposed of any of the available-for-sale investments during the year, the carrying value of the underlying security has dropped significantly below the cost. The management considers this as an indication of significant and prolonged decline in value of the security and therefore an impairment loss of HK\$7,568,000 was made this year.

As at 31 March 2009, the carrying value of the available-for-sale investments reduced to HK\$14,779,000 (2008: HK\$32,997,000), while the portfolio holding in investments held for trading increased by 69.37% to HK\$18,726,000 (2008: HK\$11,056,000) because of increase in investment in listed shares. The investment portfolio included primarily equity securities listed in Hong Kong.

## **LIQUIDITY AND FINANCIAL RESOURCES**

There was no change to the Group's capital structure during the year. As at 31 March 2009, the bank deposits and cash balance of the Group amounted to HK\$221,653,000 (31/3/2008: HK\$235,936,000). The net cash generated from operating activities amounted to HK\$47,229,000 (2008: HK\$98,855,000) during the year. After accounting for the payments of dividend of HK\$25,650,000 (2008: HK\$33,750,000) and the addition of investment properties of HK\$35,475,000, the net cash inflow to the Group amounted to HK\$8,302,000 (2008: HK\$20,974,000).

During the year, the Group had no borrowing. As at 31 March 2009, the current ratio of the Group was 7.86 times (2008: 7.22 times).

## **OPERATING EXPENSES**

Total operating expenses for the year amounted to HK\$35,547,000 (2008: HK\$35,726,000). Total staff costs accounted for HK\$20,263,000 (2008: HK\$21,487,000), a decrease of 5.7% against last year, while the total turnover of the Group increased by 9.78%. This demonstrates the management effectiveness in managing its resources and controlling its operating costs.

## **DIVIDEND POLICY**

From the past, the Group has provided shareholders with relatively generous dividend stream. However, the Group's business was inevitably negatively affected by the financial tsunami. As a result, we have to slash the dividend distribution for the current year in order to maintain the financial health of the Group. The management will resume the dividend to a higher level according to the business environment and the performance of the Group in the future.

## **PLEDGE OF ASSETS**

At 31 March 2009, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$80,500,000 (2008: HK\$1,078,700,000) and HK\$4,953,000 (2008: HK\$5,143,000) respectively, to banks to secure general banking facilities to the extent of HK\$69,000,000 (2008: HK\$72,000,000) granted to the Group. At 31 March 2008 and 31 March 2009, no such facilities were utilised by the Group.

## **EMPLOYEES**

As at 31 March 2009, the Group employed 74 (2008: 78) employees. 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.

## **FINANCIAL RISK EXPOSURE AND MANAGEMENT**

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. 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.

The Group are exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles. The Group's equity price risk are mainly concentrated on equity instruments of entities listed in The Stock Exchange of Hong Kong Limited. In addition, the Company has assigned a special team of personnel to monitor the price of the investments and will consider hedging the risk exposure should the need arise.

In the opinion of the Directors, the credit risk, liquidity risk and the interest rate risk arising from the business operation are not considered as material as the Group does not have any concentration of trade receivables and interest-bearing loan. Investments and cash transactions are executed with counterparties with high credit ratings.

## **CONTINGENT LIABILITIES**

As at 31 March 2009, 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 2009.

## **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 “Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2009 except for the deviations from the following 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 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.

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 its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2009.

## OTHER INFORMATION

This announcement will be published on the respective websites of the Stock Exchange [www.hkex.com.hk](http://www.hkex.com.hk) and the Company [www.safetygodown.com](http://www.safetygodown.com) on 26 June 2009. The annual report for the year ended 31 March 2009 containing all the information required by the Listing Rules will be published on the websites of the Company and the Stock Exchange and despatched to shareholders in due course.

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

Hong Kong, 26 June 2009.

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>