


SAFETY GODOWN CO LTD
(Incorporated in Hong Kong with limited liability)
(Stock code: 237)

INTERIM REPORT 2010/2011

GROUP RESULTS

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

DIVIDENDS

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

BUSINESS REVIEW

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

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

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

OUTLOOK

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

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

FINANCIAL REVIEW

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

Godown Operation

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

Property Investment

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

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

Treasury Investment

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

EMPLOYEES

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

The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based on staff performance and results of the Group. The Group does not have any share option scheme for employees.

EXPOSURE OF FOREIGN EXCHANGE

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

CONTINGENT LIABILITIES

As at 30 September 2010, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

At 30 September 2010, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$51,500,000 (31.3.2010: HK\$93,000,000) and HK\$55,168,000 (31.3.2010: HK\$4,763,000), respectively, to a bank to secure general banking facilities to the extent of HK\$69,000,000 (31.3.2010: HK\$69,000,000) granted to the Group. At 30 September 2010, no such facilities were utilised by the Group.

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2010, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Name of director	Number of issued ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Lu Sin	4,400,000	2,589,500 ¹	59,553,445 ²	66,542,945	49.29%
Mr. Lui Chi Lung	7,884	–	–	7,884	–
Mr. Lu Wing Yee, Wayne	7,462,420	–	23,440 ³	7,485,860	5.55%
Mr. Lam Ming Leung	10,000	–	–	10,000	–

Notes:

- Mr. Lu Sin was deemed to be interested in these 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung, personally.
- Mr. Lu Sin was deemed to be interested in these 59,553,445 shares which comprise:–
 - 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 63.27% held by Lusin and Company Limited which in turn was 70% controlled by Mr. Lu Sin;
 - 2,000,000 shares held through Lusin and Company Limited which was 70% controlled by Mr. Lu Sin; and
 - 10,350,000 shares held through Earngold Limited of which Mr. Lu Sin and his spouse, Ms. Chan Koon Fung, indirectly owned in aggregate 50% of the issued share capital.
- Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares through a company, which was 100% controlled by himself.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 30 September 2010.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2010, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed “Directors’ Interests in Securities” above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 ¹	36.45%
Lusin and Company Limited	2,000,000	47,203,445 ¹	36.45%
Kian Nan Financial Limited	47,203,445	–	34.97%
Fu Nan Enterprises Company Limited	11,999,661	–	8.89%
Earngold Limited	10,350,000	–	7.67%

Notes:

1. Eaver Company Limited and Lusin and Company Limited were deemed to be interested in 47,203,445 shares of the Company by virtue of their 34.73% and 63.27% shareholding in Kian Nan Financial Limited respectively.
2. Ms. Chan Koon Fung, the spouse of Mr. Lu Sin, was taken to be interested in a total of 66,542,945 shares of the Company, representing approximately 49% of the issued shares of the Company, which comprise her personal interests and Mr. Lu Sin’s interests in the shares of the Company as disclosed in the section headed “Directors’ Interests in Securities” above.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 30 September 2010.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Monday, 20 December 2010 to Wednesday, 22 December 2010, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 17 December 2010.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

REVIEW OF RESULTS

The Group’s condensed consolidated financial statements for the six months ended 30 September 2010 (the “Financial Statements”) have not been audited but have been reviewed by Deloitte Touche Tohmatsu (“DTT”), Certified Public Accountants, the external independent auditor of the Company, whose review report is contained on page 4 of this Interim Report.

In the presence of the representatives of DTT, the Audit Committee met on 19 November 2010 and reviewed with the management the unaudited Financial Statements and expressed no disagreement with the accounting policies and standards adopted by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the “CG Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2010 except for the deviations from the following code provisions:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lu Sin is the Chairman and the Chief Executive Officer of the Company. He is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as one-third of the Board members are represented by Independent Non-executive Directors throughout the period. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2010.

By Order of the Board
Lu Sin
Chairman

Hong Kong, 26 November 2010

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SAFETY GODOWN COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 11, which comprises the condensed consolidated statement of financial position of Safety Godown Company, Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of 30 September 2010 and the related condensed consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

26 November 2010

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2010

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2010

	Notes	30.9.2010 (unaudited) HK\$'000	31.3.2010 (audited and restated) HK\$'000
Non-current assets			
Investment properties	8	1,441,535	1,369,375
Property, plant and equipment	9	68,245	18,305
Available-for-sale investments		27,136	24,652
		1,536,916	1,412,332
Current assets			
Investments held for trading		157,219	61,518
Trade and other receivables	10	18,329	8,979
Tax recoverable		–	861
Bank deposits		114,305	156,732
Bank balances and cash		47,382	68,797
		337,235	296,887
Current liabilities			
Other payables		33,013	29,692
Tax payable		10,800	2,006
		43,813	31,698
Net current assets		293,422	265,189
		1,830,338	1,677,521
Capital and reserves			
Share capital	11	135,000	135,000
Reserves		1,520,858	1,389,741
Equity attributable to owners of the Company		1,655,858	1,524,741
Non-current liabilities			
Deferred tax liabilities		171,582	150,423
Provision for long service payments		2,898	2,357
		174,480	152,780
		1,830,338	1,677,521

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2010

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2009 (audited)	135,000	43,216	–	62,187	1,039,373	1,279,776
Profit for the period	–	–	–	–	96,850	96,850
Fair value gain on available-for-sale investments	–	–	6,561	–	–	6,561
Revaluation surplus on transfer of owner-occupied property to investment properties	–	–	–	1,714	–	1,714
Deferred tax on revaluation surplus on transfer of owner-occupied property to investment properties	–	–	–	(283)	–	(283)
Total comprehensive income for the period	–	–	6,561	1,431	96,850	104,842
Dividends paid (Note 6)	–	–	–	–	(5,400)	(5,400)
At 30 September 2009 (unaudited)	135,000	43,216	6,561	63,618	1,130,823	1,379,218
At 1 April 2010 (audited)	135,000	43,216	9,873	63,618	1,273,034	1,524,741
Profit for the period	–	–	–	–	162,383	162,383
Fair value gain on available-for-sale investments	–	–	2,484	–	–	2,484
Total comprehensive income for the period	–	–	2,484	–	162,383	164,867
Dividends paid (Note 6)	–	–	–	–	(33,750)	(33,750)
At 30 September 2010 (unaudited)	135,000	43,216	12,357	63,618	1,401,667	1,655,858

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2010

	Six months ended	
	30.9.2010 (unaudited) HK\$'000	30.9.2009 (unaudited) HK\$'000
Operating activities		
Profit before taxation	193,293	114,901
Adjustments for:		
Gain on disposal of property, plant and equipment	(10)	–
Fair value gain on investments held for trading	(29,685)	(4,240)
Increase in fair value of investment properties	(122,660)	(68,834)
Depreciation and others	995	1,270
Operating cash flows before movements in working capital	41,933	43,097
Increase in investments held for trading	(66,016)	(16,909)
Other movements in working capital	(5,268)	(7,140)
Cash (used in) generated from operations	(29,351)	19,048
Income tax paid	(96)	–
Net cash (used in) from operating activities	(29,447)	19,048
Investing activities		
Decrease in bank deposits	42,427	40,599
Proceeds from disposal of property, plant and equipment	10	–
Purchase of property, plant and equipment	(655)	(885)
Additions of investment properties	–	(13,132)
Net cash from investing activities	41,782	26,582
Cash used in financing activity		
Dividends paid	(33,750)	(5,400)
Net (decrease) increase in cash and cash equivalents	(21,415)	40,230
Cash and cash equivalents at beginning of the period	68,797	36,861
Cash and cash equivalents at end of the period, represented by bank balances and cash	47,382	77,091

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2010

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments, which are measured at fair values.

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

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

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

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

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

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

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

Amendment to HKAS 17 “Leases”

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

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

2. PRINCIPAL ACCOUNTING POLICIES – CONTINUED

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

	As at 31.3.2010 (originally stated) <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	<u>227</u>	<u>(227)</u>	<u>–</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	<u>227</u>	<u>(227)</u>	<u>–</u>

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

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

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

Information regarding the above segments is reported below.

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

For the six months ended 30 September 2010

	Godown operations	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>
Turnover						
External revenue	10,742	33,840	2,431	47,013	–	47,013
Inter-segment revenue	–	2,119	–	2,119	(2,119)	–
Total	<u>10,742</u>	<u>35,959</u>	<u>2,431</u>	<u>49,132</u>	<u>(2,119)</u>	<u>47,013</u>

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

Segment profit	<u>3,386</u>	<u>27,597</u>	<u>43,080</u>	<u>74,063</u>	<u>–</u>	<u>74,063</u>
Increase in fair value of investment properties						122,660
Central administrative costs						(3,430)
Profit before taxation						<u>193,293</u>

For the six months ended 30 September 2009

	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>
Turnover						
External revenue	8,460	39,189	505	48,154	–	48,154
Inter-segment revenue	–	2,441	–	2,441	(2,441)	–
Total	<u>8,460</u>	<u>41,630</u>	<u>505</u>	<u>50,595</u>	<u>(2,441)</u>	<u>48,154</u>

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

Segment profit	<u>2,499</u>	<u>33,554</u>	<u>12,670</u>	<u>48,723</u>	<u>–</u>	<u>48,723</u>
Increase in fair value of investment properties						68,834
Central administrative costs						(2,656)
Profit before taxation						<u>114,901</u>

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

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

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

4. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after crediting:

	Six months ended	
	30.9.2010	30.9.2009
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gain, net	<u>6,739</u>	<u>5,650</u>

5. TAXATION

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

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

6. DIVIDENDS

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

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

7. EARNINGS PER SHARE

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

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

8. INVESTMENT PROPERTIES

	30.9.2010 HK\$'000	31.3.2010 HK\$'000
AT FAIR VALUE		
At beginning of period/year	1,369,375	1,143,600
Additions	–	12,366
Transfer (to) from property, plant and equipment	(50,500)	2,600
Increase in fair value	122,660	210,809
At end of period/year	<u>1,441,535</u>	<u>1,369,375</u>

The fair values of the Group's major investment properties at 30 September 2010 amounting to HK\$1,418,800,000 (31.3.2010: HK\$1,347,400,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuation, are members of the Hong Kong Institute of Surveyors. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs.

The fair values of the Group's investment properties as at 30 September 2010 amounting to HK\$22,735,000 (31.3.2010: HK\$21,975,000) have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs.

The revaluation gave rise to a gain arising from changes in fair value of HK\$122,660,000 (six months ended 30.9.2009: HK\$68,834,000) which has been included in the condensed consolidated statement of comprehensive income.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, investment properties with carrying amounts of HK\$50,500,000 were transferred to property, plant and equipment because the Group has commenced to self-occupy those properties. The properties' deemed cost for subsequent accounting period will be their fair values at the date of change in use. The fair values have been arrived at on the basis of valuations carried out by A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

During the period, the Group acquired additional property, plant and equipment for HK\$655,000 (six months ended 30.9.2009: HK\$885,000).

10. TRADE AND OTHER RECEIVABLES

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

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

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

11. SHARE CAPITAL

	Number of Shares	Nominal value <i>HK\$'000</i>
Ordinary shares of HK\$1 each		
Authorised:		
At 31 March 2010 and 30 September 2010	<u>200,000,000</u>	<u>200,000</u>
Issued and fully paid:		
At 31 March 2010 and 30 September 2010	<u>135,000,000</u>	<u>135,000</u>

12. RELATED PARTY TRANSACTIONS

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

CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Executive Directors

Mr. Lu Sin (*Chairman and Managing Director*)
Mr. Lui Chi Lung
Mr. Lu Wing Yee, Wayne
Mr. Oen Min Tjin

Non-executive Directors

Mr. Lu Yong Lee
Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

COMPANY SECRETARY

Mr. Wong Leung Wai

REGISTERED OFFICE

Units 1305-1306, 13th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

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KEY DATES

Interim Results Announcement
Closure of Register of Members
Record Date for Interim Dividend and Special Dividend
Payment of Interim Dividend and Special Dividend

AUDIT COMMITTEE

Mr. Gan Khai Choon (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lu Sin (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Tokyo-Mitsubishi UFJ

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

26 November 2010
20 – 22 December 2010 (both days inclusive)
22 December 2010
around 7 January 2011