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SAFETY GODOWN COMPANY, LIMITED
(Incorporated in Hong Kong with limited liability)
(Stock Code: 237)

ANNUAL RESULTS ANNOUNCEMENT FOR 2020/21

The Board of Directors (the “Board”) of Safety Godown Company, Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	<i>Note</i>	2021 HK\$'000	2020 HK\$'000
Revenue	3	109,784	137,612
Income from godown operations		14,168	19,958
Income from property investment		91,396	96,651
Interest income		2,486	16,672
Dividend income		1,734	4,331
Other gains and losses		46,788	(46,271)
Other income		1,701	–
Exchange gain (loss), net		113	(19)
Gain on disposal of property, plant and equipment		–	8
Decrease in fair value of investment properties		(232,333)	(307,600)
Staff costs		(15,434)	(16,087)
Depreciation of property, plant and equipment		(22,538)	(19,320)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		(693)	(906)
Impairment loss on other receivables under ECL model		–	(1,592)
Other expenses		(23,373)	(25,102)

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss before taxation	5	(135,985)	(279,277)
Taxation	6	<u>(11,596)</u>	<u>(13,250)</u>
Loss for the year attributable to owners of the Company		<u>(147,581)</u>	<u>(292,527)</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owner-occupied properties to investment properties		<u>–</u>	<u>70,673</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(147,581)</u>	<u>(221,854)</u>
			(Restated)
Loss per share – Basic	8	<u><u>(HK\$0.36)</u></u>	<u><u>(HK\$0.72)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Investment properties		3,101,400	3,351,900
Property, plant and equipment		252,955	233,559
		3,354,355	3,585,459
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		470,161	223,208
Debt instrument at amortised cost		–	23,248
Trade and other receivables	9	21,421	27,689
Tax recoverable		756	567
Bank deposits		331,049	610,190
Other deposits		41,166	26,016
Bank balances and cash		247,974	161,871
		1,112,527	1,072,789
Current liabilities			
Other payables		35,556	30,641
Tax payable		17,285	18,333
		52,841	48,974
Net current assets		1,059,686	1,023,815
		4,414,041	4,609,274
Capital and reserves			
Share capital	10	178,216	178,216
Reserves		4,145,058	4,341,239
Equity attributable to owners of the Company		4,323,274	4,519,455
Non-current liabilities			
Long-term tenants' deposits received		15,444	18,401
Deferred tax liabilities		74,709	70,586
Provision for long service payments		614	832
		90,767	89,819
		4,414,041	4,609,274

NOTES:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and by the Hong Kong Companies Ordinance (“CO”).

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values at the end of each reporting period.

The financial information relating to the years ended 31 March 2021 and 2020 included in this preliminary announcement of annual results 2021 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO is as follows.

The Company has delivered the financial statements for the year ended 31 March 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 March 2021 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.

2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ⁵
Amendments to HKFRS 3	Reference to the Conceptual Framework ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁶
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ⁵
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ⁵
Amendments to HKAS 8	Definition of Accounting Estimates ⁵
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ⁵
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ⁴
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ⁴
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ⁴

¹ Effective for annual periods beginning on or after 1 June 2020

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 April 2021

⁴ Effective for annual periods beginning on or after 1 January 2022

⁵ Effective for annual periods beginning on or after 1 January 2023

⁶ Effective for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group’s financial position and performance as the Group does not intend to apply the practical expedient.

3. REVENUE

The amount represents the following revenue recognised during the year:

	2021	2020
	<i>HK\$’000</i>	<i>HK\$’000</i>
Income from godown operations (<i>note a</i>)	14,168	19,958
Income from property investment	91,396	96,651
Dividend income	1,734	4,331
Bank interest income	1,184	14,683
Other interest income	1,302	1,989
	109,784	137,612

Notes:

(a) Disaggregation of the Group's revenue from contracts with customers and geographical market

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	1,305	2,052
Transportation income and other income (recognised at a point in time)	603	594
Storage service income (recognised over time)	<u>12,260</u>	<u>17,312</u>
	<u>14,168</u>	<u>19,958</u>
Geographical market:		
Hong Kong	<u>14,168</u>	<u>19,958</u>

For contracts entered into with customers on inward and outward coolie income and transportation and other income, the relevant services specified in the contracts are based on customer's specifications with no alternative use and the Group does not have an enforceable right to payment prior to completion of relevant services to customers. Revenue from inward and outward coolie income and transportation and other income are therefore recognised at a point in time when the physical possession of the asset is transferred, being at the point that the services are completed and the Group has present right to payment and collection of the consideration is probable.

Revenue from storage service income is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a fixed amount for each day of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Leases

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed		
Income from property investment	<u>91,396</u>	<u>96,651</u>

4. SEGMENT INFORMATION

Information analysed on the basis of the operation of the Group's businesses, including godown operations, property investment and treasury investment, is reported to the chief operating decision maker, being the executive director of the Company, for the purposes of resources allocation and performance assessment of each operating segment. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

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

Segment information about these operating and reportable segments is presented below:

For the year ended 31 March 2021

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Segment revenue	<u>14,168</u>	<u>91,396</u>	<u>4,220</u>	<u>109,784</u>
Segment (loss) profit	<u>(758)</u>	<u>(173,988)</u>	<u>47,611</u>	<u>(127,135)</u>
Central administrative costs				<u>(8,850)</u>
Loss before taxation				<u>(135,985)</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	234,338	3,139,129	844,083	4,217,550
Bank balances and cash				247,974
Unallocated other assets				<u>1,358</u>
Consolidated total assets				<u>4,466,882</u>

Liabilities				
Segment liabilities	1,483	39,962	1,130	42,575
Tax payable				17,285
Deferred tax liabilities				74,709
Unallocated other liabilities				<u>9,039</u>
Consolidated total liabilities				<u>143,608</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated total HK\$'000
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	14,538	9,229	–	23,767
Depreciation of property, plant and equipment	16,446	6,092	–	22,538
Fair value gain on financial assets at FVTPL	–	–	46,477	46,477
Impairment loss on trade receivables	<u>–</u>	<u>693</u>	<u>–</u>	<u>693</u>

For the year ended 31 March 2020

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	<u>19,958</u>	<u>96,651</u>	<u>21,003</u>	<u>137,612</u>
Segment profit (loss)	<u>3,562</u>	<u>(244,091)</u>	<u>(29,042)</u>	(269,571)
Central administrative costs				<u>(9,706)</u>
Loss before taxation				<u>(279,277)</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	173,385	3,435,052	886,718	4,495,155
Bank balances and cash				161,871
Unallocated other assets				<u>1,222</u>
Consolidated total assets				<u>4,658,248</u>
Liabilities				
Segment liabilities	1,757	39,041	1,175	41,973
Tax payable				18,333
Deferred tax liabilities				70,586
Unallocated other liabilities				<u>7,901</u>
Consolidated total liabilities				<u>138,793</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	13,032	4,594	–	17,626
Depreciation of property, plant and equipment	15,496	3,824	–	19,320
Fair value loss on financial assets at FVTPL	–	–	46,590	46,590
Impairment loss on trade receivables	<u>–</u>	<u>906</u>	<u>–</u>	<u>906</u>

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of other administrative costs, which include directors' fees, other expenses that are not directly related to the core businesses and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than the Group's corporate assets and bank balances and cash; and
- all liabilities are allocated to operating segments other than the Group's corporate liabilities, tax payable and deferred tax liabilities.

Information about major customers

Revenue from a customer (in property investment segment) contributing over 10% of the total sales of the Group amounted for HK\$12,261,000 in current year (2020: nil).

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 3.

All the business operations and major non-current assets of the Group for both years are located and derived from Hong Kong.

5. LOSS BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,100	1,020
– non-audit services	586	472
Gross rental income from investment properties	(91,396)	(96,651)
Less: direct operating expenses for investment properties that generated rental income during the year	8,772	9,757
direct operating expenses for investment properties that did not generate rental income during the year	735	1,030
Net rental income	(81,889)	(85,864)
Fair value (gain) loss on financial assets at FVTPL (<i>note</i>)	(46,477)	46,590

Note: Amount included in other gains and losses.

6. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,499	8,674
(Over) underprovision in prior years	<u>(26)</u>	<u>175</u>
	7,473	8,849
Deferred taxation		
Current year	<u>4,123</u>	<u>4,401</u>
	<u>11,596</u>	<u>13,250</u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

7. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend paid in respect of 2021 – HK9 cents (2020: HK2.67 cents (restated)) per ordinary share	36,450	10,800
Final dividend paid in respect of 2020 – HK3 cents (2019: HK4 cents (restated)) per ordinary share	12,150	16,200
Special dividend paid in respect of 2020 – nil (2019: HK29.33 cents (restated)) per ordinary share	<u>–</u>	<u>118,800</u>
	<u>48,600</u>	<u>145,800</u>

A final dividend of HK5 cents per share, amounting to HK\$20,250,000 and a special dividend of HK43 cents per share, amounting to HK\$174,150,000 have been proposed by the directors of the Company and are subject to the approval by shareholders in the forthcoming annual general meeting.

The number of shares for the calculation of dividend per share has been adjusted for the effect of the share subdivision as detailed in note 10.

8. LOSS PER SHARE – BASIC

The calculation of basic loss per share is based on loss for the year attributable to owners of the Company of HK\$147,581,000 (2020: HK\$292,527,000) and on 405,000,000 (2020: 405,000,000 (restated)) shares in issue throughout both years. The number of shares for the calculation of basic loss per share for 2020 had been adjusted for the effect of the share subdivision as detailed in note 10.

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

9. TRADE AND OTHER RECEIVABLES

The following is an ageing analysis of trade receivables (net of allowance for credit losses) of the Group presented based on the billing date:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
Within 60 days	3,008	3,044
61 – 90 days	3	272
Over 90 days	3	4
	<u>3,014</u>	<u>3,320</u>
Other receivables	2,580	4,546
Deferred lease receivables	8,769	10,025
Prepayments	6,086	7,154
Deposits	972	2,644
	<u>21,421</u>	<u>27,689</u>

The Group has a policy of allowing credit period of 60 days to its customers in respect of godown operations and 30 days for tenants on presentation of invoices.

10. SHARE CAPITAL

	Number of shares '000	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2019 and 31 March 2020	135,000	178,216
Share subdivision (<i>note</i>)	270,000	–
	<u>405,000</u>	<u>178,216</u>
At 31 March 2021	<u>405,000</u>	<u>178,216</u>

Note: On 18 August 2020, the Company subdivided one share of the Company into three shares of the Company by way of converting every one share of the Company into three shares of the Company. All the shares rank pari passu in all respects.

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK5 cents (2020: HK3 cents per share (on the basis there being 405,000,000 shares of the Company in issue immediately after the share subdivision on the basis that every one existing share of the Company was subdivided into three subdivided shares of the Company with the effective date of 18 August 2020 (the “Share Subdivision”)), amounting to HK\$20,250,000 (2020: HK\$12,150,000) and a special dividend of HK43 cents (2020: nil) per share, amounting to HK\$174,150,000 for the year ended 31 March 2021 (the “Period”), to shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on 26 August 2021 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the “AGM”). The proposed final dividend and special dividend will be despatched to Shareholders on 10 September 2021. Together with the interim dividend of HK9 cents per share already paid on 11 January 2021, the total distribution for the Period will be approximately HK57 cents per share (2020: approximately HK5.67 cents per share (restated after the Share Subdivision)).

The Board always considers different investment proposals or opportunities from time to time in order to enhance the profitability of the Company. However, given the current economic conditions in association with the COVID-19 pandemic, the Board does not anticipate that any significant transaction or project will be materialized in the near future. Having considered the healthy financial position of the Company, the special dividend is meant to be a reciprocity to our Shareholders as a token of appreciation for their long-term support and trust.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 13 August 2021. The notice of AGM will be published on the website of the Hong Kong Exchanges and Clearing Limited (“HKEx”) at www.hkex.com.hk and on the website of the Company at www.safetygodown.com and despatched to the Shareholders in due course as required by the Listing Rules.

CLOSURE OF MEMBERS REGISTER

To ascertain the Shareholders’ entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 10 August 2021 to Friday, 13 August 2021, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 9 August 2021.

To ascertain the Shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Monday, 23 August 2021 to Thursday, 26 August 2021, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 August 2021.

BUSINESS REVIEW

During the Period, the loss attributable to owners of the Company was HK\$147,581,000 (2020: HK\$292,527,000) and the core earnings based on the loss attributable to owners netted off the fair value loss on investment properties and the gain on disposal of property, plant and equipment of the Group was HK\$84,752,000 (2020: HK\$15,065,000).

Godown operations segment

During the Period, the overall godown operations was severely impacted by the continual outbreak of COVID-19 pandemic, the revenue and performance of the godown operations decreased by approximately 29% to HK\$14,168,000 from HK\$19,958,000 and 121% to a loss of HK\$758,000 from a profit of HK\$3,562,000, respectively. The utilisation rate declined to approximately 36% from 58% whilst the average rent per cubic meter increased to approximately HK\$92 from HK\$79.

Property investment segment

During the Period, the rental revenue of Lu Plaza which is the major property investment of the Group decreased by approximately 6% to HK\$72,124,000 from HK\$76,773,000. The average occupancy rate of Lu Plaza decreased by approximately 3% to approximately 80% during the Period.

In order to attract and retain tenants, the Group will launch "The LU+", a business centre cum co-working space which is situated on the third floor of Lu Plaza in June 2021. The business centre provides multi-purpose meeting rooms, fitness and recreational room and lounge area. The meeting rooms are equipped with high speed Wi-Fi access, LCD screens, projectors and online conferencing equipment to cater for various kinds of activities, events, trainings, presentations and business meetings. The fitness and recreation room offers the state-of-the-art cardiovascular and weight-training equipment from Technogym. The new facility aims to respond to the new aspirations of the tenants in a post pandemic working environment and facilitate the collaboration, brainstorming, innovation, creativity, sharing and work-life balance for the workforce of the tenants.

Other rental income decreased slightly for the Period amounting to HK\$19,272,000.

Treasury investment segment

During the Period, the revenue decreased by approximately 80% to HK\$4,220,000 (2020: HK\$21,003,000), whereas the profit increased by approximately 264% to HK\$47,611,000 (2020: a loss of HK\$29,042,000).

In order to enhance the portfolio management with clear investment objectives and guidelines, the Board established an investment committee on 9 February 2021. The investment objectives will remain focused on quality stocks and fixed income investments for the purpose of long-term capital appreciation.

OUTLOOK

The overall economy of Hong Kong has been severely battered by the outbreak of the COVID-19 pandemic. Although certain degree of economic rebounds from the low levels have been seen in the first half of 2021, the revival of inbound tourists and lifting of social distancing measures are the key determinants of economic recovery. However, we are cautiously optimistic that all the governments worldwide are capable of coping with the complex circumstances of the pandemic and pushing forward a smooth transition to normality in a prudent manner. A full-blown global economic recovery shall be dependent upon the successful developments of high efficiency vaccines and implementation of vaccination programmes worldwide which will effectively enable the progressive easing of both local and international travel and cross-border restrictions.

The Hong Kong office leasing momentum remained weak in general from the fourth quarter of 2020 to the first half of 2021 because of the conservative attitude and limited expansionary demand of corporates which were driven by the rationalisation and flexibility of remote work arrangements. Lack of economic prospects will continue to limit the upside of the office rents in Hong Kong. During the Period, the Group had successfully implemented flexible approach towards leasing negotiations with suitable incentives to retain and attract tenants.

“The LU+” so far successfully attracted nearly 30 companies and organisations to organize events or meetings. Many of which are chambers and non-profit organisations. We anticipate that “The LU+” will become an attractive feature of Lu Plaza and hopefully will attract more footfall and potential tenants.

Thanks to the gradual increase in business activities, the godown business has picked up in the months of April and May 2021. We hope the performance would improve this financial year and record satisfactory results.

As at 31 March 2021, the Group’s total cash and bank balances amounted to approximately HK\$620,189,000, of which approximately HK\$331,049,000 was arranged as time deposits and part of the balance was allocated for treasury investment.

The Group will remain cautious on the overall operating environment and the evolving development of the pandemic with an aim to responding to any existing and future challenges on its operations swiftly.

REVIEW OF FINANCIAL RESULTS

Financial overview

For the Period, the Group's loss attributable to owners was HK\$147,581,000 (2020: HK\$292,527,000) whilst the core earnings, excluding the loss on investment properties revaluation of HK\$232,333,000 (2020: HK\$307,600,000) the gain on disposal of property, plant and equipment of nil (2020: HK\$8,000), increased by approximately 463% to HK\$84,752,000 (2020: HK\$15,065,000). Total revenue fell by approximately 20% to HK\$109,784,000 (2020: HK\$137,612,000).

The increase of core earnings was mainly due to the fair value gain from financial assets at fair value through profit or loss of HK\$46,477,000 recorded for the Period as compared with a loss of HK\$46,590,000 for the corresponding period of last year. The profits of godown operations and property investment (excluding the decrease in fair value of investment properties) decreased by HK\$4,320,000 and HK\$5,164,000, respectively.

During the Period, the Company declared dividends in the total amount of HK\$48,600,000 (2020: HK\$145,800,000). As at 31 March 2021, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$4,323,274,000 (31 March 2020: HK\$4,519,455,000) and HK\$10.67 (31 March 2020: HK\$11.16 (restated)), respectively. Loss per share for the Period registered at HK\$0.36 (2020: HK\$0.72 (restated)).

Godown operations segment

During the Period, our revenue generated from godown operations decreased by 29% to HK\$14,168,000 (2020: HK\$19,958,000) and the respective segment performance decreased by approximately 121% to a loss of HK\$758,000 (2020: a profit of HK\$3,562,000).

The profit margin of the godown operations declined to a negative profit margin of 5% (2020: a positive profit margin of 18%). The average storage utilisation rate decreased to 36% from 58% whilst the average storage rent increased by approximately 16% to around HK\$92 (2020: HK\$79) per cubic meter.

Property investment segment

Lu Plaza is the major investment property of the Group and its average occupancy rate recorded at approximately 80% during the Period. The tenant mix of Lu Plaza includes consumer products, trading, logistics, information technology, engineering and catering businesses.

Total rental income generated from property investment amounted to HK\$91,396,000 (2020: HK\$96,651,000), a decrease of approximately 5% compared with that of the last year. The segment profit (excluding the decrease in fair value of investment properties) was HK\$58,345,000 (2020: HK\$63,509,000), representing a decrease of approximately 8% as compared with the corresponding period of the last year. Rental revenue (including carparking rental income) of the Lu Plaza decreased from HK\$76,773,000 of the last year to HK\$72,124,000 for the Period.

The fair value of the Group's investment properties as at 31 March 2021 amounted to HK\$3,101,400,000 (31 March 2020: HK\$3,351,900,000) based on an unrealised loss of HK\$232,333,000 (2020: HK\$307,600,000) which had been recognised in profit or loss for the Period.

The average occupancy rate of Lu Plaza fell slightly to approximately 80% from approximately 83% in the year. The average monthly rental per square feet maintained at around HK\$17.

Lu Plaza is situated at Kwun Tong which is in the Kowloon East district. The rental level in the Kowloon East district remains subdued because of abundant new supply of Grade A office space in the recent years. Our competitors are mainly the landlords particularly those with office properties near the Lu Plaza. Factors for the intense competition includes location, quality and rental rate. This competition could have a material adverse effect on our ability to maintain steady occupancy rate and on the amount of rental revenue that we could generate.

Treasury investment segment

Revenue from the treasury investment decreased by approximately 80% to HK\$4,220,000 (2020: HK\$21,003,000) for the Period, which was mainly attributable to the decrease in dividend income from equity investments and bank interest income. Meanwhile, a profit of HK\$47,611,000 was recorded (2020: a loss of HK\$29,042,000), which was mainly due to the realised and unrealised gains of HK\$14,190,000 and HK\$32,287,000, respectively (2020: losses of HK\$24,595,000 and HK\$21,995,000, respectively). As at 31 March 2021, the financial assets at fair value through profit or loss valued at HK\$470,161,000 (31 March 2020: HK\$223,208,000), an increase of approximately 111%.

Since the Group converted some Hong Kong dollars into foreign currencies, an exchange gain of HK\$113,000 (2020: a loss of HK\$19,000) was recorded for the Period. As United States dollar is pegged to the Hong Kong dollar, the Group's exposure to foreign exchange risk as at 31 March 2021 was insignificant.

OPERATING COSTS

The operating costs of the Group, mainly comprising of staff costs, repairs and maintenance, depreciation and other administrative costs including property management fees, legal and professional fees and securities brokers' fees, decreased by approximately 7% to HK\$23,373,000 (2020 HK\$25,102,000). The staff costs for the year was HK\$15,434,000 (2020: HK\$16,087,000). Depreciation for the Period amounted to HK\$22,538,000 (2020: HK\$19,320,000), representing an increase of approximately 17%, which was mainly due to the additional provision for depreciation as certain investment properties changed to owner-occupied properties and a significant amount of additions of leasehold improvements, furniture, fixtures and equipment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt a prudent financial management policy and maintained a strong cash position. Total cash and bank balances as at 31 March 2021 amounted to HK\$620,189,000 (31 March 2020: HK\$798,077,000). Most of the bank deposits were denominated in Hong Kong or United States dollars. The strong cash reserve position offers protection against unstable times and it also gives the Group more options for future investment opportunities. The Group has sufficient financial resources to continue to finance its operations.

The Group financed its operation mainly by its internal cash reserve and cash flows generated from operations. Recurring net cash flow from operating activities before movement in working capital amounted to HK\$87,074,000 (2020: HK\$72,496,000), increased by approximately 20%. As at 31 March 2021, net current assets amounted to HK\$1,059,686,000 (31 March 2020: HK\$1,023,815,000) with a liquidity ratio (total current assets divided by total current liabilities) of 21.05 times (31 March 2020: 21.91 times).

The Group did not have any kind of loans or borrowings throughout the Period, therefore the gearing ratio was zero. As at 31 March 2021, the Group had a net asset value of HK\$4,323,274,000 (31 March 2020: HK\$4,519,455,000).

DIVIDEND POLICY

It is the Board's intention to provide Shareholders with relatively consistent dividend income over the long term. The Group generally provides Shareholders with relatively generous dividend payments. The Board will try to maintain the dividend payment at a reasonable level based on the business environment and the performance of the Group but should not be deemed to constitute a legal binding commitment on the part of the Board.

Total dividends including interim and final dividends declared by the Company during the year amounted to HK\$48,600,000 (2020: interim, final and special dividends amounted to HK\$145,800,000).

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The management considers its employees the key to sustainable business growth of the Group and is committed to providing all employees a safe and harassment free work environment with equal opportunities in relation to employment, reward management, training and career development. Workplace safety is the top priority of the management. This is of paramount importance that health and safety measures are followed by employees in performing their duties to reduce work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job related trainings and provides sponsorship/subsidies to employees who are committed to professional development and training.

As at 31 March 2021, the Group employed 37 (31 March 2020: 34) employees. Total staff cost was HK\$15,434,000 (2020: HK\$16,087,000). The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group does not have any share option scheme for employees.

Customer relationship is one of the fundamentals of business. The Group fully understands this principle and thus maintain good relationship with customers to fulfil their immediate and long-term needs. For our customers of godown operations, we deliver high quality services to meet our customers' needs. For our property investment, we have engaged quality property management company to manage our major investment properties. Tenant's need and feedbacks are communicated through the property manager from time to time to cater for tenants' requirements and ensure their satisfaction.

Due to the nature of its businesses, the Group does not have any major supplier that has significant influence on its operations. However, the Group strives to maintain fair and co-operating relationship with the suppliers. The selection of major suppliers or contractors is conducted through tendering process in the normal course of the Group's businesses. The management of the Group also regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

PLEDGE OF ASSETS

As at 31 March 2021, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2021, 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 currently comprises of three Independent Non-executive Directors and one Non-executive Director. The Committee is chaired by Mr. Leung Man Chiu, Lawrence. The other members are Mr. Lam Ming Leung, Mr. Lee Ka Sze, Carmelo and Ms. Oen Li Lin. Mr. Leung, the Chairman of the Audit Committee, possesses appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

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 2021.

CORPORATE GOVERNANCE PRACTICES

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 operations and developments. Effective corporate governance provides integrity, transparency and 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 Listing Rules throughout the year ended 31 March 2021 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 that (i) 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.

Since 5 April 2015, the position of the Chairman of the Board and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this announcement. 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. Currently, the Board collectively performs the responsibilities of the Chairman, with the assistance of the senior management, the Executive Director continues to monitor the businesses and operations of the Group.

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. 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 “Articles”). The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision.

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. But the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 14 August 2020 in accordance with the Articles.

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 positions of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reports 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.

COMPLIANCE WITH THE 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 dealings 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 year ended 31 March 2021.

OTHER INFORMATION

The annual report of the Company for the year ended 31 March 2021 containing all the information required by the Listing Rules will be published on the websites of the HKEx at www.hkex.com.hk and the Company at www.safetygodown.com and despatched to shareholders in due course.

By Order of the Board
Safety Godown Company, Limited
Lu Wing Yee, Wayne
Executive Director

Hong Kong, 24 June 2021

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

Mr. Lu Wing Yee, Wayne	<i>Executive Director</i>
Mr. Lee Ka Sze, Carmelo	<i>Non-executive Director</i>
Mr. Lam Ming Leung	<i>Independent Non-executive Director</i>
Mr. Leung Man Chiu, Lawrence	<i>Independent Non-executive Director</i>
Ms. Oen Li Lin	<i>Independent Non-executive Director</i>