

安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code 股份代號: 237)

LU
PLAZA

INTERIM REPORT
2021/22



CORPORATE RESULTS

For the six months ended 30 September 2021 (the “Period”), Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded loss attributable to owners of the Company approximately HK\$75,483,000, representing a decrease of approximately 24.1% as compared with a loss of HK\$99,457,000 for the corresponding period in 2020. Total revenue increased by approximately 6.8% from HK\$56,234,000 to HK\$60,053,000. Loss per share for the Period decreased from HK\$0.25 to HK\$0.19.

The Group’s underlying profit excluding fair value loss on investment properties decreased by approximately 66% from HK\$70,543,000 to HK\$23,957,000.

The Group’s net loss before taxation and net loss after taxation recorded HK\$69,152,000 (six months ended 30 September 2020: loss of HK\$93,445,000) and HK\$75,483,000 (six months ended 30 September 2020: loss of HK\$99,457,000), representing decrease of approximately 26.0% and 24.1%, respectively.

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) declared an interim dividend of HK4 cents per share for the Period (2020: HK9 cents per share), payable to the shareholders of the Company, whose names appear on the register of members on 22 December 2021. The interim dividend will be paid on 11 January 2022.

BUSINESS REVIEW

During the Period under review, Hong Kong’s overall economy continued to improve gradually amid the resurgence of variant infection cases in different countries being reported to emerge from time to time. However, the economic prospects were clouded by the uncertainty in association with the limited business activity and tourist inflow.

Godown Operations Segment

As the impacts of the social unrest and COVID-19 pandemic dissipated gradually, the revenue of the godown operations segment improved satisfactorily during the Period under review. The Hong Kong economy and consumer confidence improved in view of the effective control measures and social restrictions adopted by the HKSAR Government to fight the COVID-19. The increase in the proportion of the revenue of the fast-moving consumer goods clientele represented the segment’s reliance on industrial raw materials (e.g. paper and textile raw materials) in the past would be changed.

During the Period under review, the revenue generated from the segment increased by approximately 16.6% to HK\$8,653,000 (six months ended 30 September 2020: HK\$7,421,000). The average rent per cubic meter increased from approximately HK\$86 for the six months ended 30 September 2020 to approximately HK\$94 and the average occupancy rate increased from approximately 40.2% (based on the maximum capacity of 31,100 CBM for the six months ended 30 September 2020) for the six months ended 30 September 2020 to approximately 50% (based on the maximum capacity of 26,200 CBM for the Period).

BUSINESS REVIEW (continued)

Property Investment Segment

During the Period under review, total rental income increased by approximately 2.2% to HK\$46,863,000 (six months ended 30 September 2020: HK\$45,847,000) and the segment profit (excluding the decrease in fair value of investment properties) decreased by approximately 10.4% to HK\$26,195,000 (six months ended 30 September 2020: HK\$29,246,000). The rental income generated from the major investment property Lu Plaza was approximately HK\$36.9 million. The average occupancy rate of Lu Plaza increased from approximately 80.1% for the six months ended 30 September 2020 to approximately 81.2% during the Period.

The official launch of Lu Plaza’s multi-function business centre “The LU+” on 25 June 2021 signified the completion of revitalisation work of Lu Plaza and turning it to a new page. During the Period under review, “The LU+” was well received and more than 100 events had been organised at the “The LU+” by chambers of commerce, NGOs and tenants. The newly designed website and Facebook Page for both Lu Plaza and the “The LU+” were also launched to attract more viewers. “The LU+” is targeted to provide more comprehensive and caring services to tenants to uplift the image of Lu Plaza for future higher returns.

Treasury Investment Segment

Despite lower interest income, revenue from the treasury investment segment increased by approximately 53% to HK\$4,537,000 (six months ended 30 September 2020: HK\$2,966,000) underpinned by higher dividend income. The segment profit decreased by approximately 86% to HK\$7,186,000 (six months ended 30 September 2020: HK\$51,274,000) which was mainly attributable to the decrease in the fair value gain on financial assets at fair value through profit or loss, including stocks, bonds, non-physical gold and investment funds. Since the performance of Hong Kong’s Hang Seng Index continued to underperform during the Period, the relevant investment recorded a loss of HK\$9,097,000. However, the investment in foreign stocks performed relatively well and recorded a gain of HK\$3,950,000.

During the Period under review, the portfolio’s position in investment of non-physical gold was reduced to 9,000 ounces (six months ended 30 September 2020: 18,000 ounces). The disposals of 4,400 ounces of non-physical gold on 4 March 2021 and 4,600 ounces non-physical gold on 23 August 2021 recorded a gain of HK\$2,827,000. Further details in relation to the disposals can be referred to the Company’s announcement dated 24 August 2021.

To enhance the transparency on the Group’s investment portfolio, a breakdown on the assets allocation as at 30 September 2021 is provided below:

	<i>HK\$ million</i>
Hong Kong stocks	74
Foreign stocks	62
Bonds	42
Investment funds	80
Non-physical gold	123
	<hr/>
Total	381
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OUTLOOK

During the times of economic downturn arising from the social unrest and COVID-19 pandemic, the HKSAR Government had effectively managed to adopt different administrative measures and pass various laws to restore peace and order and to implement prevention and control measures and vaccination programme. Should the current circumstances continue, the volume of business of godown operations would likely maintain at the September 2021 level of 15,000 cubic meters comparing with that of below 10,000 cubic meters during the worst times of the economic downturn. Further growth shall be dependent on the overall economic recovery and the rebound on trade activity and retail sales. The Group has planned to improve the software and hardware of the godown and logistics operations so as to cater for the upcoming economic recovery.

The occupancy rate of Lu Plaza bottomed out from below 80% at the worst times of the economic downturn to 82.2% as at 30 September 2021. Since 1 October 2021, new tenancy agreements in aggregate representing a further approximately 5% in occupancy rate have been signed.

Considering the impact of economic downturn on our tenants, the Group had proactively assisted the respective tenants to undertake downsizing arrangements and provided rent concessions on a case-by-case basis. Therefore, the Group successfully could retain most of the tenants upon renewal of tenancy.

It is anticipated that the occupancy rate of Lu Plaza might rise slightly and the level of rents will be likely to remain stable. However, the return of rental rates to the historical high of about HK\$20 or above is unforeseeable in the short to medium term.

The low interest rate environment driven by the aggressive stimulus measures by governments worldwide has impacted on the interest income generated from bank deposits and bonds investment. The current volatility of global stock markets may trigger higher uncertainty on returns from stocks investment. The investment committee of the Group will continue to monitor the market condition and adjust the assets in the investment portfolio in a prudent manner. Following the disposals of 4,400 ounces of non-physical gold on 4 March 2021 and 4,600 ounces non-physical gold on 23 August 2021, the Group currently holds 9,000 ounces of non-physical gold and will continue to adjust its holding in accordance with the Group's investment strategy.

I would like to take this opportunity to thank my fellow Directors and the staff members for their dedication and hard work. The Board would also like to express its gratitude to the shareholders for their trust and to the stakeholders for their contributions and continuous support.

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss and other comprehensive income

During the Period, the Company's total revenue reached HK\$60,053,000, including income from godown operations segment of HK\$8,653,000, property investment segment of HK\$46,863,000 and treasury investment segment of HK\$4,537,000 (interest income of HK\$922,000 and dividend income of HK\$3,615,000). The revenue of each of the three segments increased approximately 16.6%, 2.2% and 53.0%, respectively comparing to the last corresponding period.

During the Period, the Group recorded a fair value loss on investment properties of HK\$99,440,000 (six months ended 30 September 2020: loss of HK\$170,000,000) which had been included in the condensed consolidated statement of profit or loss and other comprehensive income.

Staff costs increased by approximately 10.4% to HK\$8,173,000 (six months ended 30 September 2020: HK\$7,401,000) arising from the new recruitments and the provision for performance-based bonus.

FINANCIAL REVIEW (continued)

Condensed consolidated statement of profit or loss and other comprehensive income (continued)

Depreciation of property, plant and equipment increased by approximately 13.9% to HK\$12,116,000 (six months ended 30 September 2020: HK\$10,635,000).

Other expenses increased by approximately 5.6% to HK\$13,260,000 (six months ended 30 September 2020: HK\$12,562,000).

Condensed consolidated statement of financial position

The Company's net asset value stood at HK\$4,053,391,000, mainly comprising HK\$3,001,960,000 of investment properties, HK\$250,875,000 of property, plant and equipment (mainly the Group's self-occupied godown building situated at Kwai Chung), HK\$381,361,000 of financial assets at fair value through profit or loss and other current assets, including cash and bank balances together with bank and other deposits.

The carrying amount of the investment properties decreased as a result of a downward adjustment in their fair value with reference to valuations carried out by independent professional valuers on an open market basis as at 30 September 2021.

Financial assets at fair value through profit or loss decreased by approximately 18.9% to HK\$381,361,000 mainly due to the disposal of 4,600 ounces of non-physical gold. Cash and deposits (including deposits in the investment accounts) decreased by approximately 10.1% to HK\$557,509,000 (31 March 2021: HK\$620,189,000) mainly due to the payments of final and special dividends to the shareholders for the year ended 31 March 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2021, the Group had cash and bank balances of HK\$266,455,000 (31 March 2021: HK\$247,974,000) and the total current liabilities amounted to HK\$61,074,000 (31 March 2021: HK\$52,841,000). Current ratio stood at approximately 15.61 times (31 March 2021: 21.05 times) and the Group had no bank borrowings.

Net assets of the Group decreased by approximately 6.2% to HK\$4,053,391,000 (31 March 2021: HK\$4,323,274,000) and the net asset value per share decreased by approximately 6.2% to HK\$10.01 (31 March 2021: HK\$10.67).

EMPLOYEES

As at 30 September 2021, the Group had a total of 37 (31 March 2021: 37) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. During the Period, staff costs (including Directors' emoluments) increased by approximately 10.4% to HK\$8,173,000 (six months ended 30 September 2020: HK\$7,401,000).

The Group's remuneration policies shall be reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also offers suitable trainings to staff and provides bonuses based on the staff performance and results of the Group. The Group has not adopted any share option scheme for employees.

EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment in US dollar securities and deposits. Since the Hong Kong dollar is pegged to the US dollar, the management is of the opinion that the foreign exchange risk of financial instruments denominated in US dollar is insignificant. During the Period, the Group recorded an exchange gain of HK\$752,000 (six months ended 30 September 2020: HK\$120,000).

CONTINGENT LIABILITIES

As at 30 September 2021, the Group did not have any significant contingent liabilities (31 March 2021: nil).

PLEDGE OF ASSETS

As at 30 September 2021, the Group did not have any pledge of assets (31 March 2021: nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2021, the interests of the Directors of the Company 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 Issuers, were as follows:

Name of directors	Personal interests	Number of issued ordinary shares of the Company held (Long Position)			Total interests	Approximate percentage of issued shares of the Company ³
		Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,231,260	-	70,320 ¹	13,200,000 ²	41,501,580	10.25%
Mr. Lam Ming Leung	30,000	-	-	-	30,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 70,320 shares held by a company, which was 100% controlled by himself.
2. Mr. Lu Wing Yee, Wayne was deemed to be interested jointly with Ms. Chan Koon Fung in these 13,200,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 405,000,000 shares in issue as at 30 September 2021.

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 as at 30 September 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2021, according to the record in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, 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 shares of the Company:

Name of substantial shareholders	Capacity	Number of issued ordinary shares held (Long Position)		Approximate percentage of issued shares of the Company ³
		Direct interest	Indirect interest	
Kian Nan Financial Limited	Beneficial interest	147,610,335	–	36.45%
Earngold Limited	Beneficial interest	31,050,000	–	7.67%
Chelton Trading Limited	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	8,968,500	209,859,318 ²	54.03%

Notes:

1. The shares were held by Earngold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Earngold Limited and, therefore, they were taken to be interested in 31,050,000 shares held by Earngold Limited.
2. Among these 209,859,318 shares, (a) Ms. Chan Koon Fung was taken to be interested in 31,050,000 shares through Earngold Limited which was held by Chelton Trading Limited (directly owned 50%) and Gladiator Investments Co. (directly owned 50%), in both of which Ms. Chan directly owned 50%; (b) she was taken to be interested in 147,610,335 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 17,998,983 shares which were held by Lusin And Company Limited, in which Ms. Chan owned 38.75% and (d) she was taken to be interested jointly with Mr. Lu Wing Yee, Wayne in 13,200,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 405,000,000 shares in issue as at 30 September 2021.

Other than as disclosed above, at 30 September 2021, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued shares of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 December 2021 to Wednesday, 22 December 2021, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrars, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 16 December 2021.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REVIEW OF RESULTS

The Group's unaudited condensed consolidated financial statements for the six months ended 30 September 2021 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 9 of this interim report.

The Audit Committee has reviewed with the management and DTT the Company's unaudited consolidated financial statements and interim report for the Period, including the accounting policies and practices adopted by the Group.

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 operation and development. 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the six months ended 30 September 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 interim report. The Board has kept review of its current structure from time to time. If any candidate with suitable skills and experiences is identified within or outside the Group, the Company will make necessary appointment to fill these positions in due course. Currently, the Board collectively performs the responsibilities of the Chairman, with the assistance of the senior management, the Executive Director continues to monitor the business and operation 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.

CORPORATE GOVERNANCE PRACTICES (continued)

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 13 August 2021 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 dealing by all Directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2021.

Lu Wing Yee, Wayne
Executive Director

Hong Kong
25 November 2021

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
TO THE BOARD OF DIRECTORS OF SAFETY GODOWN COMPANY, LIMITED
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Safety Godown Company, Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 10 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The 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 these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements 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 these condensed consolidated financial statements consists of making inquiries, 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 November 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2021

	<i>Notes</i>	Six months ended	
		30.9.2021	30.9.2020
		(unaudited)	(unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<u>60,053</u>	<u>56,234</u>
Income from godown operations		8,653	7,421
Income from property investment		46,863	45,847
Interest income		922	1,535
Dividend income		3,615	1,431
Other gains and losses		3,653	50,028
Other income	5	–	771
Exchange gain, net		752	120
Decrease in fair value of investment properties		(99,440)	(170,000)
Staff costs		(8,173)	(7,401)
Depreciation of property, plant and equipment		(12,116)	(10,635)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		(621)	–
Other expenses		<u>(13,260)</u>	<u>(12,562)</u>
Loss before taxation	6	(69,152)	(93,445)
Taxation	7	<u>(6,331)</u>	<u>(6,012)</u>
Loss and total comprehensive expense for the period attributable to owners of the Company		<u>(75,483)</u>	<u>(99,457)</u>
Loss per share – Basic	9	<u>(HK\$0.19)</u>	<u>(HK\$0.25)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2021

	<i>Notes</i>	30.9.2021 (unaudited) <i>HK\$'000</i>	31.3.2021 (audited) <i>HK\$'000</i>
Non-current assets			
Investment properties	<i>10</i>	3,001,960	3,101,400
Property, plant and equipment	<i>11</i>	250,875	252,955
		<u>3,252,835</u>	<u>3,354,355</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		381,361	470,161
Trade and other receivables	<i>12</i>	14,357	21,421
Tax recoverable		–	756
Bank deposits		215,030	331,049
Other deposits		76,024	41,166
Bank balances and cash		266,455	247,974
		<u>953,227</u>	<u>1,112,527</u>
Current liabilities			
Other payables		42,074	35,556
Tax payable		19,000	17,285
		<u>61,074</u>	<u>52,841</u>
Net current assets		<u>892,153</u>	<u>1,059,686</u>
		<u>4,144,988</u>	<u>4,414,041</u>
Capital and reserves			
Share capital	<i>13</i>	178,216	178,216
Reserves		3,875,175	4,145,058
Equity attributable to owners of the Company		<u>4,053,391</u>	<u>4,323,274</u>
Non-current liabilities			
Long-term tenants' deposits received		13,761	15,444
Deferred tax liabilities		77,081	74,709
Provision for long service payments		755	614
		<u>91,597</u>	<u>90,767</u>
		<u>4,144,988</u>	<u>4,414,041</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2021

	Share capital HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2020 (audited)	<u>178,216</u>	<u>474,707</u>	<u>3,866,532</u>	<u>4,519,455</u>
Loss and total comprehensive expense for the period	–	–	(99,457)	(99,457)
Dividend paid (<i>note 8</i>)	<u>–</u>	<u>–</u>	<u>(12,150)</u>	<u>(12,150)</u>
At 30 September 2020 (unaudited)	<u>178,216</u>	<u>474,707</u>	<u>3,754,925</u>	<u>4,407,848</u>
At 1 April 2021 (audited)	<u>178,216</u>	<u>474,707</u>	<u>3,670,351</u>	<u>4,323,274</u>
Loss and total comprehensive expense for the period	–	–	(75,483)	(75,483)
Dividends appropriation (<i>note 8</i>)	<u>–</u>	<u>–</u>	<u>(194,400)</u>	<u>(194,400)</u>
At 30 September 2021 (unaudited)	<u>178,216</u>	<u>474,707</u>	<u>3,400,468</u>	<u>4,053,391</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2021

	Six months ended	
	30.9.2021	30.9.2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities		
Loss before taxation	(69,152)	(93,445)
Adjustments for:		
Unrealised gain on financial assets at FVTPL	(5,948)	(38,105)
Decrease in fair value of investment properties	99,440	170,000
Depreciation of property, plant and equipment	12,116	10,635
Addition (reduction) of provision for long service payment	141	(134)
Impairment loss on trade receivable under ECL model	621	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	37,218	48,951
Decrease (increase) in financial assets at FVTPL	94,748	(245,733)
Other movements in working capital	7,675	(4,976)
	<hr/>	<hr/>
Cash generated from (used in) operations	139,641	(201,758)
Income taxes paid	(1,488)	(2,464)
	<hr/>	<hr/>
Net cash from (used in) operating activities	138,153	(204,222)
	<hr/>	<hr/>
Investing activities		
Withdrawal of bank deposits	116,250	445,121
Additions of bank deposits	(231)	(176,409)
Withdrawal of other deposits	11,787	138,262
Additions of other deposits	(46,645)	(181,467)
Purchase of property, plant and equipment	(10,036)	(9,813)
Redemption of debt instrument at amortised cost	–	23,248
	<hr/>	<hr/>
Net cash from investing activities	71,125	238,942
	<hr/>	<hr/>
Cash used in a financing activity		
Dividends paid	(190,797)	(12,150)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	18,481	22,570
Cash and cash equivalents at beginning of the period	247,974	161,871
	<hr/>	<hr/>
Cash and cash equivalents at end of the period, represented by bank balances and cash	266,455	184,441
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2021

1. BASIS OF PREPARATION

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

The financial information relating to the year ended 31 March 2021 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2021.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations (<i>note a</i>)	8,653	7,421
Income from property investment	46,863	45,847
Dividend income from listed investments	3,615	1,431
Bank interest income	284	892
Other interest income	638	643
	<u>60,053</u>	<u>56,234</u>

Notes:

- (a) Total income from godown operations

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Inward and outward coolie income	792	677
Transportation income and other income	610	289
Storage service income	7,251	6,455
	<u>8,653</u>	<u>7,421</u>

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

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Types of goods or services		
(time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	792	677
Transportation income and other income (recognised at a point in time)	610	289
Storage service income (recognised over time)	7,251	6,455
	<u>8,653</u>	<u>7,421</u>
Geographical market:		
Hong Kong	<u>8,653</u>	<u>7,421</u>

3. REVENUE (continued)

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 the 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 the 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.

4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information reported to the chief operating decision maker, being the executive director of the Company, for the purposes of resource allocation and performance assessment of each operating segment are 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 six months ended 30 September 2021

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	<u>8,653</u>	<u>46,863</u>	<u>4,537</u>	<u>60,053</u>
Segment profit (loss)	<u>1,057</u>	<u>(73,245)</u>	<u>7,186</u>	(65,002)
Central administrative costs				<u>(4,150)</u>
Loss before taxation				<u>(69,152)</u>

4. SEGMENT INFORMATION (continued)

As at 30 September 2021

	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	228,936	3,037,629	672,694	3,939,259
Bank balances and cash				266,455
Unallocated other assets				348
				<u>4,206,062</u>
Liabilities				
Segment liabilities	2,205	40,007	1,964	44,176
Tax payable				19,000
Deferred tax liabilities				77,081
Unallocated other liabilities				12,414
				<u>152,671</u>

For the six months ended 30 September 2020

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	<u>7,421</u>	<u>45,847</u>	<u>2,966</u>	<u>56,234</u>
Segment profit (loss)	<u>143</u>	<u>(140,754)</u>	<u>51,274</u>	(89,337)
Central administrative costs				<u>(4,108)</u>
Loss before taxation				<u>(93,445)</u>

4. SEGMENT INFORMATION (continued)

As at 31 March 2021

	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	234,338	3,139,129	844,083	4,217,550
Bank balances and cash				247,974
Unallocated other assets				1,358
				<hr/>
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				9,039
				<hr/>
Consolidated total liabilities				<u>143,608</u>

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

5. OTHER INCOME

During six months ended 30 September 2020, the Group recognised HK\$771,000 (six months ended 30.9.2021: nil) in respect of COVID-19 subsidy, which relates to Employment Support Scheme provided by the Hong Kong Government.

6. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after crediting:		
Exchange gain, net	(752)	(120)
Fair value gain on financial assets at FVTPL (<i>note</i>)	<u>(3,617)</u>	<u>(50,008)</u>

Note: Amount included in other gains and losses.

7. TAXATION

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	3,959	4,275
Deferred taxation	<u>2,372</u>	<u>1,737</u>
	<u>6,331</u>	<u>6,012</u>

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

8. DIVIDENDS

	Six months ended	
	30.9.2021	30.9.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends appropriation/paid:		
Final dividend appropriation/paid in respect of the year ended 31 March 2021 of HK5 cents (2020: HK3 cents) per ordinary share	20,250	12,150
Special dividend appropriation in respect of the year ended 31 March 2021 of HK43 cents (2020: nil) per ordinary share	<u>174,150</u>	<u>–</u>
	<u>194,400</u>	<u>12,150</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK4 cents (six months ended 30.9.2020: HK9 cents) per share, amounting to HK\$16,200,000 (six months ended 30.9.2020: HK\$36,450,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2021.

9. LOSS PER SHARE – BASIC

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$75,483,000 (six months ended 30.9.2020: loss of HK\$99,457,000) and on 405,000,000 (six months ended 30.9.2020: 405,000,000) shares in issue throughout the period.

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

10. INVESTMENT PROPERTIES

	30.9.2021	31.3.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
AT FAIR VALUE		
At beginning of the period/year	3,101,400	3,351,900
Additions	–	4,133
Transfer to property, plant and equipment	–	(22,300)
Decrease in fair value recognised in profit or loss	(99,440)	(232,333)
	<u>3,001,960</u>	<u>3,101,400</u>
At end of the period/year	<u>3,001,960</u>	<u>3,101,400</u>

The fair value of the Group's investment properties as at 30 September 2021 amounting to HK\$3,001,960,000 (31.3.2021: HK\$3,101,400,000) have been arrived at on the basis of valuations carried out on that date by Colliers International (Hong Kong) Limited and AA Property Services Limited, Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Colliers International (Hong Kong) Limited and AA Property Services Limited, Chartered Surveyors, who carried out the valuations, are members of the Hong Kong Institute of Surveyors. The fair values of the investment properties were determined based on the income approach and market comparison approach, where appropriate. For income approach, the valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates. For market comparison approach, the valuations were arrived at by reference to the comparable sale transactions as available in the relevant market. Market comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The revaluation gave rise to a loss arising from changes in fair value of HK\$99,440,000 (six months ended 30.9.2020: HK\$170,000,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2020, as a result of change in use of the property, the investment property was transferred to property, plant and equipment at fair value of HK\$22,300,000 (six months ended 30.9.2021: nil).

During the current period, the Group acquired additional property, plant and equipment of HK\$10,036,000 (six months ended 30.9.2020: HK\$9,813,000).

12. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period of 60 days to its customers in respect of godown operations and 30 days for tenants on presentation of invoices. Before accepting any new customer, the Group will assess the potential customer's credit quality. Credit limits allowed to customers are reviewed once a year.

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

	30.9.2021 <i>HK\$'000</i>	31.3.2021 <i>HK\$'000</i>
Within 60 days	4,942	3,008
61 – 90 days	90	3
Over 90 days	72	3
	<u>5,104</u>	<u>3,014</u>

13. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 30 September 2020, 31 March 2021 and 30 September 2021	<u>405,000,000</u>	<u>178,216</u>

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages qualified external valuers to perform the valuation or obtains the quoted prices from brokers/financial institutions. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30.9.2021 HK\$'000	31.3.2021 HK\$'000			
Financial assets at FVTPL					
Listed equity investments	136,143	171,963	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	71,654	68,646	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	8,387	6,520	Level 3	Net assets value with reference to the net asset value of the underlying fund.	The increase in the net assets value would result in an increase in fair value.
Non-physical gold	122,621	179,993	Level 2	Quoted prices provided by brokers/financial institutions	N/A
Unlisted debt instruments	42,556	41,885	Level 2	Quoted prices provided by brokers/financial institutions.	N/A
Derivative financial instrument – Put option	–	1,154	Level 3	Black-Scholes option price model: key input: spot rate of underlying assets and volatility.	N/A (31.3.2021: Volatility of 18.65% (note)).

Note: An increase in the volatility used in isolation would result in a significant increase in the fair value measurement of the put option, and vice versa.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	Six months ended	
	30.9.2021	30.9.2020
	HK\$'000	HK\$'000
At the beginning of the period	7,674	–
Additions	725	2,531
Net losses in profit or loss (<i>note</i>)	(12)	(1,778)
	<hr/>	<hr/>
At the end of the period	8,387	753

Note: Of the net losses for the period included in profit or loss, loss of HK\$1,154,000 and gain of HK\$1,142,000 relate to put option and unlisted investment funds, respectively, incurred during the current reporting period (six months ended 30.9.2020: losses of HK\$214,000 and HK\$1,564,000 related to put option and currency note, respectively). Such fair value gains or losses are included in “other gains and losses”.

There were no transfers between Level 1, 2 and 3 in the current period and prior year.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. The fair values of these financial assets and liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

15. COMMITMENTS

As at the end of the current interim period, the Group has committed to (i) acquire some property, plant and equipment and refurbish the investment properties of HK\$5,919,000 (31 March 2021: HK\$3,179,000) and (ii) contribute funds for an unlisted investment fund of HK\$1,837,000 (31 March 2021: HK\$2,561,000).

16. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$712,000 (six months ended 30.9.2020: HK\$549,000).

CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Executive Director

Mr. Lu Wing Yee, Wayne

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

COMPANY SECRETARY

Ms. Mui Ngar May Joel

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of

China (Asia) Limited

MUFG Bank, Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

KEY DATES

Interim Results Announcement

Closure of Register of Members

Record Date for Interim Dividend

Payment Date of Interim Dividend

AUDIT COMMITTEE

Mr. Leung Man Chiu, Lawrence (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Ms. Oen Li Lin

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

INVESTMENT COMMITTEE

Mr. Lu Wing Yee, Wayne (*Chairman*)

Ms. Oen Li Lin

REGISTERED OFFICE

Unit 1801, 18th Floor, Lu Plaza

2 Wing Yip Street, Kwun Tong, Kowloon

Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

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25 November 2021

17 to 22 December 2021 (both days inclusive)

22 December 2021

11 January 2022