

# 安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code 股份代號: 237)



LU  
PLAZA



INTERIM REPORT  
2022/23



## **CORPORATE RESULTS**

For the six months ended 30 September 2022 (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\$134,744,000, representing an increase of approximately 78.5% as compared with a loss of HK\$75,483,000 for the corresponding period in 2021. Total revenue increased by approximately 13.6% from HK\$60,053,000 to HK\$68,243,000. Loss per share for the Period increased from HK\$0.19 to HK\$0.33.

The Group’s underlying profit excluding fair value loss on investment properties turned from a profit of HK\$23,957,000 for the corresponding period in 2021 to a loss of HK\$15,604,000.

The Group’s net loss before taxation and net loss after taxation recorded HK\$128,340,000 (six months ended 30 September 2021: loss of HK\$69,152,000) and HK\$134,744,000 (six months ended 30 September 2021: loss of HK\$75,483,000), representing increases of approximately 85.6% and 78.5%, respectively.

## **INTERIM DIVIDEND**

The board of directors of the Company (the “Board”) declared an interim dividend of HK2 cents per share for the Period (six months ended 30 September 2021: HK4 cents per share), payable to the shareholders of the Company, whose names appear on the register of members on 21 December 2022. The interim dividend will be paid on 10 January 2023.

## **BUSINESS REVIEW**

During the Period under review, COVID-19 and the global geopolitical landscape continued to impose uncertainties on the economy of Hong Kong and the financial market saw rare and significant volatility in particular.

### **Godown Operations Segment**

The segment generated a revenue of HK\$10,293,000 during the Period under review. The overall increase was mainly due to an improvement in the economy of Hong Kong when compared with that during the severe COVID-19 outbreak at the beginning of the year. Although Hong Kong was hard hit by the pandemic in the first half of the year, the situation gradually eased in May and June, and the impact on our business was considered as insignificant fortunately.

### **Property Investment Segment**

Since the opening of “The LU+”, Lu Plaza’s multi-function business centre, last year, the building’s image and brand awareness were boosted; and the occupancy rate of Lu Plaza remained at over 90%, a notable achievement. The high average occupancy rate more than offset the impact of the slight decrease in rental per square foot resulting from the increased supply in the East Kowloon market.

## **BUSINESS REVIEW (continued)**

### **Treasury Investment Segment**

The performance of the treasury investment segment was disappointing due to the falling stock and bond markets during the Period, and the segment recorded a loss of approximately HK\$36,084,000, with approximately HK\$26,730,000 from stocks, HK\$2,529,000 from bonds, HK\$6,543,000 from funds and HK\$8,226,000 from non-physical gold.

Due to the upward trend in interest rate during the period, interest income increased to HK\$5,512,000, while dividend income was HK\$3,426,000.

### **OUTLOOK**

The Group expects that barring any material adverse development in the COVID-19 pandemic, the revenue of godown business will be able to remain on par with that of the first half of the year. When the further improvement works of the Safety Godown warehouse building are completed in 2024, the godown operation can boost its capacity for processing physical goods and attract more high valued added customers with high turnover.

For the rental market, Lu Plaza has achieved an occupancy rate of about 90%, a better performance compared with that of commercial properties in the district. Under the circumstances, there will be limited room for further rental increase. The Group aims at enhancing the building's quality and ancillary services continuously, with a view to maintaining a relatively stable rental income amid the slowdown of the economy and the commercial building market in the future.

In term of treasury investment, the Group has already switched most of its securities and relevant investment to time deposits during the Period under review and October 2022. Up to November 2022, the Federal Reserve of the United States has hiked interest rate to nearly 4%, and it is expected that the central banks of developed economies including European countries and the United States will raise interest rates at least twice in the months ahead. Against such a backdrop of rising interest rates, the interest income from the deposits of the Group will likely increase as a result.

An increase in interest income will help boost earnings amid a volatile economic landscape. We hope that the Company will have ample resources for business development in the next booming economic cycle.

The Group proactively conducted research on and explored enhancements and improvements for various facilities and operation systems during the Period under review, and the relevant projects have been or will be approved in October and November 2022 for implementation in the second half of the year. When the above enhancement projects are completed, the Group can further improve its performance in information collection, invoice processing and clerical work, as well as addressing emergencies such as the need to work from home due to the pandemic.

Finally, I would like to take this opportunity to thank my fellow Directors and the staff members for their dedication and hard work, and customers, suppliers and other stakeholders for their contributions and support.

## **FINANCIAL REVIEW**

### **Condensed consolidated statement of profit or loss and other comprehensive income**

During the Period, the Company's total revenue reached HK\$68,243,000, including income from godown operations segment of HK\$10,293,000, property investment segment of HK\$49,012,000 and treasury investment segment of HK\$8,938,000 (interest income of HK\$5,512,000 and dividend income of HK\$3,426,000). The revenue of each of the three segments increased approximately 19.0%, 4.6% and 97.0%, respectively comparing to the last corresponding period.

During the Period, the Group recorded a fair value loss on investment properties of HK\$119,140,000 (six months ended 30 September 2021: loss of HK\$99,440,000) which had been included in the condensed consolidated statement of profit or loss and other comprehensive income.

Staff costs increased by approximately 9.5% to HK\$8,950,000 (six months ended 30 September 2021: HK\$8,173,000), which was mainly attributable to the increase in headcount.

Depreciation of property, plant and equipment increased by approximately 6.1% to HK\$12,858,000 (six months ended 30 September 2021: HK\$12,116,000).

Other expenses decreased by approximately 13.0% to HK\$11,536,000 (six months ended 30 September 2021: HK\$13,260,000), which was mainly due to the decrease in the subsidy of air-conditioning and management fee for the investment properties.

### **Condensed consolidated statement of financial position**

The Company's net asset value recorded at HK\$3,869,092,000, mainly comprising HK\$2,847,200,000 of investment properties, HK\$233,367,000 of property, plant and equipment (mainly the Group's self-occupied godown building situated at Kwai Chung), HK\$170,533,000 of financial assets at fair value through profit or loss ("FVTPL") and other current assets, including bank balances and cash together with bank and other deposits.

The carrying amount of the investment properties decreased as a result of a downward adjustment in their fair values with reference to valuations carried out by an independent professional valuer on an open market basis as at 30 September 2022.

Financial assets at FVTPL decreased by approximately 48.7% to HK\$170,533,000 mainly due to the disposals of certain investment funds and all non-physical gold. Cash and deposits (including deposits in the investment accounts) increased by approximately 22.7% to HK\$754,542,000 (31 March 2022: HK\$614,774,000) mainly due to the net proceeds from the aforementioned disposals of financial assets at FVTPL.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2022, the Group had bank balances and cash of HK\$16,324,000 (31 March 2022: HK\$139,167,000) and the total current liabilities amounted to HK\$52,241,000 (31 March 2022: HK\$52,121,000). Current ratio stood at approximately 18.05 times (31 March 2022: 18.55 times) and the Group had no bank borrowings.

The net assets of the Group decreased by approximately 3.9% to HK\$3,869,092,000 (31 March 2022: HK\$4,028,136,000) and the net asset value per share decreased by approximately 4.0% to HK\$9.55 (31 March 2022: HK\$9.95).

## **EMPLOYEES**

As at 30 September 2022, the Group had a total of 39 (31 March 2022: 36) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. During the Period, staff costs (including Directors' emoluments) increased by approximately 9.5% to HK\$8,950,000 (six months ended 30 September 2021: HK\$8,173,000).

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 securities and deposits in US dollar. Since Hong Kong dollar is pegged to 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\$169,000 (six months ended 30 September 2021: HK\$752,000).

## **CONTINGENT LIABILITIES**

As at 30 September 2022, the Group did not have any significant contingent liabilities (31 March 2022: nil).

## **PLEDGE OF ASSETS**

As at 30 September 2022, the Group did not have any pledge of assets (31 March 2022: nil).

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2022, the interests of the directors of the Company (the “Directors”) and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed 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 <sup>3</sup>
		Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,231,260	–	70,320 <sup>1</sup>	13,200,000 <sup>2</sup>	41,501,580	10.25%
Mr. Lam Ming Leung	30,000	–	–	–	30,000	0.0074%

Notes:

- 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.
- 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).
- Based on 405,000,000 shares in issue as at 30 September 2022.

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 2022.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2022, 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)		Approximately percentage of issued shares of the Company <sup>3</sup>
		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 <sup>1</sup>	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 <sup>1</sup>	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	8,968,500	209,859,318 <sup>2</sup>	54.03%

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (continued)**

### *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 2022.

Other than as disclosed above, at 30 September 2022, 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, 16 December 2022 to Wednesday, 21 December 2022, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 15 December 2022.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

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

## **REVIEW OF RESULTS**

The Group's unaudited condensed consolidated financial statements for the Period 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 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the Period except for the following deviations from code provisions C.2.1 to C.2.9, C.3.3, C.6.3 and F.2.2.

CG Code Provisions C.2.1 to C.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 should 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, and with the assistance of the senior management, the Executive Director continues to monitor the businesses and operations of the Group.

CG Code Provision C.3.3 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 of Association of the Company (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 C.6.3 stipulates that the company secretary should report to the Chairman of the Board and/or the Chief Executive Officer. 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.

CG Code Provision F.2.2 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 19 August 2022 in accordance with the Articles.

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 Period.

## **CHANGES IN DIRECTORS’ INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, change of information of the Directors since the date of the 2022 annual report is set out as below:

### ***Non-executive director – Mr. Lee Ka Sze, Carmelo***

Mr. Lee retired as a Convenor cum member of the Financial Reporting Review Panel with effect from 16 July 2022.

### **Lu Wing Yee, Wayne**

*Executive Director*

Hong Kong

24 November 2022

**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 2022 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  
24 November 2022

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2022*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2022</b>	<b>30.9.2021</b>
		(unaudited)	(unaudited)
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	3	<u>68,243</u>	<u>60,053</u>
Income from godown operations		10,293	8,653
Income from property investment		49,012	46,863
Interest income		5,512	922
Dividend income		3,426	3,615
Other gains and losses		(43,997)	3,653
Other income	5	665	–
Exchange gain, net		169	752
Decrease in fair value of investment properties		(119,140)	(99,440)
Staff costs		(8,950)	(8,173)
Depreciation of property, plant and equipment		(12,858)	(12,116)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		(936)	(621)
Other expenses		<u>(11,536)</u>	<u>(13,260)</u>
Loss before taxation	6	(128,340)	(69,152)
Taxation	7	<u>(6,404)</u>	<u>(6,331)</u>
Loss and total comprehensive expense for the period attributable to owners of the Company		<u>(134,744)</u>	<u>(75,483)</u>
Loss per share – Basic	9	<u>(HK\$0.33)</u>	<u>(HK\$0.19)</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2022

	Notes	30.9.2022 (unaudited) HK\$'000	31.3.2022 (audited) HK\$'000
<b>Non-current assets</b>			
Investment properties	10	2,847,200	2,966,340
Property, plant and equipment	11	233,367	242,744
		<u>3,080,567</u>	<u>3,209,084</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss ("FVTPL")		170,533	332,538
Trade and other receivables	12	17,979	19,449
Tax recoverable		–	115
Bank deposits		727,537	414,538
Other deposits		10,681	61,069
Bank balances and cash		16,324	139,167
		<u>943,054</u>	<u>966,876</u>
<b>Current liabilities</b>			
Other payables		31,658	35,674
Tax payable		20,583	16,447
		<u>52,241</u>	<u>52,121</u>
<b>Net current assets</b>		<u>890,813</u>	<u>914,755</u>
		<u>3,971,380</u>	<u>4,123,839</u>
<b>Capital and reserves</b>			
Share capital	13	178,216	178,216
Reserves		3,690,876	3,849,920
<b>Equity attributable to owners of the Company</b>		<u>3,869,092</u>	<u>4,028,136</u>
<b>Non-current liabilities</b>			
Long-term tenants' deposits received		19,355	15,350
Deferred tax liabilities		81,738	79,662
Provision for long service payments		1,195	691
		<u>102,288</u>	<u>95,703</u>
		<u>3,971,380</u>	<u>4,123,839</u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Share capital HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
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>
At 1 April 2022 (audited)	<u>178,216</u>	<u>474,707</u>	<u>3,375,213</u>	<u>4,028,136</u>
Loss and total comprehensive expense for the period	–	–	(134,744)	(134,744)
Dividends appropriation ( <i>note 8</i> )	<u>–</u>	<u>–</u>	<u>(24,300)</u>	<u>(24,300)</u>
At 30 September 2022 (unaudited)	<u>178,216</u>	<u>474,707</u>	<u>3,216,169</u>	<u>3,869,092</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2022

	Six months ended	
	30.9.2022	30.9.2021
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Loss before taxation	(128,340)	(69,152)
Adjustments for:		
Unrealised loss (gain) on financial assets at FVTPL	28,718	(5,948)
Decrease in fair value of investment properties	119,140	99,440
Depreciation of property, plant and equipment	12,858	12,116
Addition of provision for long service payment	504	141
Impairment loss on trade receivable under ECL model	936	621
	<hr/>	<hr/>
Operating cash flows before movements in working capital	33,816	37,218
Decrease in financial assets at FVTPL	133,287	94,748
Other movements in working capital	376	7,675
	<hr/>	<hr/>
Cash generated from operations	167,479	139,641
Income taxes paid	(77)	(1,488)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>167,402</b>	<b>138,153</b>
	<hr/>	<hr/>
<b>Investing activities</b>		
Withdrawal of bank deposits	1,933,550	116,250
Additions of bank deposits	(2,246,549)	(231)
Withdrawal of other deposits	176,595	11,787
Additions of other deposits	(126,207)	(46,645)
Purchase of property, plant and equipment	(3,481)	(10,036)
	<hr/>	<hr/>
<b>Net cash (used in) from investing activities</b>	<b>(266,092)</b>	<b>71,125</b>
	<hr/>	<hr/>
<b>Cash used in a financing activity</b>		
Dividends paid	(24,153)	(190,797)
	<hr/>	<hr/>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(122,843)</b>	<b>18,481</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>139,167</b>	<b>247,974</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period,</b> represented by bank balances and cash	<b>16,324</b>	<b>266,455</b>
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# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2022

## 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 2022 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 2022 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.

Other than the change in accounting policy resulting from agenda decision of the International Financial Reporting Standards Interpretations Committee (the “Committee”) of the International Accounting Standards Board, the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022.

### **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 Group’s annual period beginning on 1 April 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

The application of the amendments to HKFRSs and the Committee's agenda decision/decisions 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 September	
	2022	2021
	HK\$'000	HK\$'000
Income from godown operations ( <i>note a</i> )	10,293	8,653
Income from property investment	49,012	46,863
Dividend income from listed and unlisted investments	3,426	3,615
Bank interest income	4,809	284
Other interest income	703	638
	<u>68,243</u>	<u>60,053</u>

*Note:*

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

	Six months ended 30 September	
	2022	2021
	HK\$'000	HK\$'000
<b>Income from godown operations</b>		
<b>Types of goods or services (time of revenue recognition):</b>		
Inward and outward coolie income (recognised at a point in time)	937	792
Transportation income and other income (recognised at a point in time)	618	610
Storage service income (recognised over time)	8,738	7,251
	<u>10,293</u>	<u>8,653</u>
<b>Geographical market:</b>		
Hong Kong	<u>10,293</u>	<u>8,653</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 2022

	<b>Godown operations</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Treasury investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Revenue</b>				
Segment revenue	<u>10,293</u>	<u>49,012</u>	<u>8,938</u>	<u>68,243</u>
Segment profit (loss)	<u>750</u>	<u>(88,706)</u>	<u>(36,084)</u>	(124,040)
Central administrative costs				<u>(4,300)</u>
Loss before taxation				<u>(128,340)</u>

#### 4. SEGMENT INFORMATION (continued)

As at 30 September 2022

	<b>Godown operations</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Treasury investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	210,023	2,885,691	911,152	4,006,866
Bank balances and cash				16,324
Unallocated other assets				431
				<u>4,023,621</u>
Consolidated total assets				<u>4,023,621</u>
<b>Liabilities</b>				
Segment liabilities	2,514	40,149	151	42,814
Tax payable				20,583
Deferred tax liabilities				81,738
Unallocated other liabilities				9,394
				<u>154,529</u>
Consolidated total liabilities				<u>154,529</u>

For the six months ended 30 September 2021

	<b>Godown operations</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Treasury investment</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Revenue</b>				
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 31 March 2022

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	215,590	3,012,292	808,324	4,036,206
Bank balances and cash				139,167
Unallocated other assets				587
				<hr/>
Consolidated total assets				<u>4,175,960</u>
<b>Liabilities</b>				
Segment liabilities	2,324	40,421	295	43,040
Tax payable				16,447
Deferred tax liabilities				79,662
Unallocated other liabilities				8,675
				<hr/>
Consolidated total liabilities				<u>147,824</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 the six months ended 30 September 2022, the Group recognised HK\$665,000 (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	
	30.9.2022	30.9.2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation has been arrived at after (crediting) charging:		
Exchange gain, net	(169)	(752)
Fair value loss (gain) on financial assets at FVTPL ( <i>note</i> )	<u>44,028</u>	<u>(3,617)</u>

*Note:* Amount included in other gains and losses.

## 7. TAXATION

	Six months ended	
	30.9.2022	30.9.2021
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	4,328	3,959
Deferred taxation	2,076	2,372
	<u>6,404</u>	<u>6,331</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	
	30.9.2022	30.9.2021
	HK\$'000	HK\$'000
Dividends appropriation:		
Final dividend appropriation in respect of the year ended 31 March 2022 of HK6 cents (2021: HK5 cents) per ordinary share	24,300	20,250
Special dividend appropriation in respect of the year ended 31 March 2022 of nil (2021: HK43 cents) per ordinary share	–	174,150
	<u>24,300</u>	<u>194,400</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK2 cents (six months ended 30.9.2021: HK4 cents) per share, amounting to HK\$8,100,000 (six months ended 30.9.2021: HK\$16,200,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 21 December 2022.

## 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\$134,744,000 (six months ended 30.9.2021: loss of HK\$75,483,000) and on 405,000,000 (six months ended 30.9.2021: 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

	<b>30.9.2022</b>	<b>31.3.2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>AT FAIR VALUE</b>		
At beginning of the period/year	2,966,340	3,101,400
Additions	–	1,498
Decrease in fair value recognised in profit or loss	<u>(119,140)</u>	<u>(136,558)</u>
At end of the period/year	<u><u>2,847,200</u></u>	<u><u>2,966,340</u></u>

The fair value of the Group's investment properties as at 30 September 2022 amounting to HK\$2,847,200,000 (31.3.2022: HK\$2,966,340,000) have been arrived at on the basis of valuations carried out on that date by Colliers International (Hong Kong) Limited, Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Colliers International (Hong Kong) 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\$119,140,000 (six months ended 30.9.2021: HK\$99,440,000) 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 current period, the Group acquired additional property, plant and equipment of HK\$3,481,000 (six months ended 30.9.2021: HK\$10,036,000).

## 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 (net of allowance for credit losses) by age, presented based on the billing date are as follows:

	<b>30.9.2022</b> <i>HK\$'000</i>	<b>31.3.2022</b> <i>HK\$'000</i>
Within 60 days	3,963	5,249
61 – 90 days	418	851
Over 90 days	8	76
	<u>4,389</u>	<u>6,176</u>

## 13. SHARE CAPITAL

	<b>Number of shares</b> <i>'000</i>	<b>Amount</b> <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 30 September 2021, 31 March 2022 and 30 September 2022	<u>405,000</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 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
	30.9.2022 <i>HK\$'000</i>	31.3.2022 <i>HK\$'000</i>			
<b>Financial assets at FVTPL</b>					
Listed equity investments	108,252	138,518	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	14,516	66,459	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	9,010	9,906	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	–	78,077	Level 2	Quoted gold prices in an active market and adjustment of management fee.	N/A
Unlisted debt instruments	38,755	39,578	Level 2	Quoted prices in market that are not active.	N/A

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	
	30.9.2022 HK\$'000	30.9.2021 HK\$'000
At the beginning of the period	9,906	7,674
Additions	349	725
Net losses in profit or loss ( <i>note</i> )	(1,245)	(12)
	<hr/>	<hr/>
At the end of the period	<u>9,010</u>	<u>8,387</u>

*Note:* Of the net losses for the period included in profit or loss, loss of HK\$1,245,000 relate to unlisted investment funds held at the end of current reporting period (six months ended 30.9.2021: loss of HK\$1,154,000 and gain of HK\$1,142,000 related to put option and unlisted investment funds, 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\$4,497,000 (31 March 2022: HK\$4,148,000) and (ii) contribute funds for an unlisted investment fund of HK\$1,488,000 (31 March 2022: HK\$1,837,000).

#### 16. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$778,000 (six months ended 30.9.2021: HK\$712,000).

## 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

17/F, Far East Finance Centre,

16 Harcourt Road, 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.safetygtdown.com>

### STOCK CODE

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24 November 2022

16 to 21 December 2022 (both days inclusive)

21 December 2022

10 January 2023