



Interim Report
中期報告 2016/17

安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

GROUP RESULTS

For the six months ended 30 September 2016, the Group's unaudited profit attributable to shareholders recorded at HK\$146,051,000 while profit for the previous corresponding period amounted to HK\$153,608,000, registering a decrease of 4.92%. Turnover dropped by 22.63% to HK\$63,028,000 (six months ended 30 September 2015: HK\$81,462,000) on a year-on-year basis as a result of the disposal of Chivas Godown last year. The Group's underlying profit excluding fair value gain on investment properties, however, rose by 18.39% to HK\$51,977,000 (six months ended 30 September 2015: HK\$43,904,000).

DIVIDENDS

The Directors have declared an interim dividend of HK8 cents per share (six months ended 30 September 2015: HK7 cents) and a special dividend of HK22 cents per share (six months ended 30 September 2015: HK15 cents) be paid to the shareholders of the Company, whose names appear in the register of members on 23 December 2016. The interim dividend and special dividend will be paid on or around 12 January 2017.

BUSINESS REVIEW

The period under review coincided with the U.S. presidential election, and the election itself continually affected the trend of the stock market. The recent economic growth in the U.S. was positive with the inflation rate continued to rise which, in turn, increased the possibility of an interest rate lift-off.

Mainland China continued to fight hard against corruption and to intensively crackdown capital outflows. It had introduced many measures to dampen property prices and its economic slowdown was driven by the external weak economy. The unexpected cooling measures, introduced by the Hong Kong Government, cooled down not only those interest-sensitive real estate stocks, but also indicated the undercurrents in Hong Kong's economic prospect. Trading and logistics businesses had not yet rebounded while the property prices and rents were under extreme pressure.

During the period, rental income declined as the Group completed the disposal of the Chivas Godown last December. Rental income from investment property therefore went down by 34% and profit down by 44%. The revitalization of Lu Plaza would be basically completed by the end of 2016 and it is expected that the impact of the revitalization works will be lessened significantly with the completion of all the revitalization works. As for our godown business, since the Chivas Godown had been disposed of and that only its 8th floor was leased back to continue operation (with the lease expired at the end of this year without further renewal), godown income had fallen 4% and results down by 11% with such reduction of operating area.

The Group's financial investment recorded a slight increase. Nevertheless, the sale of the available-for-sale investment brought an additional one-time profit of HK\$19,782,000.

OUTLOOK

The U.S. economy had been better than other countries and areas, however, its assets valuation was not considered attractive and the U.S. rate hike would become one huge negative factor.

The economic growth of Mainland China continued to slow and global trading was structurally weak. The prospect of Hong Kong economy was not optimistic. Private consumption and exports declined and the real estate market would face unusual corrections.

The sale of Chivas Godown reduced the Group's godown operating area, and thus godown income suffered a setback. Furthermore, financial market volatility would make financial investment income unsteady.

Against the austere economic situation, the Group has been aggressively seeking quality projects as investment channels to increase income. As the revitalization of Lu Plaza has entered its final stage and all the works would be on schedule; the revitalized Lu Plaza (together with various services packages available) would be on the market as a full commercial office property, its rental income would rise gradually.

FINANCIAL REVIEW

With the payment of the year 2016 final and special dividend in the total amount of HK\$540,000,000 during the period, shareholders' fund as at 30 September 2016 decreased by 9.15% over the period under review to HK\$4,113,962,000 (31 March 2016: HK\$4,528,512,000) while the net asset value per share equivalent to HK\$30.47 (31 March 2016: HK\$33.54). Earnings per share for the period achieved at HK\$1.08 (six months ended 30 September 2015: HK\$1.14).

Godown operations

Hong Kong economy regained some momentum in the second quarter of 2016. During the period under review, global economic growth remained modest and exports of goods improved. Godown rental rates remained broadly stable.

With the disposal of Chivas Godown last year, the total godown floor area of the Group reduced by around 10,000 square feet. Income generated from godown operations, as a result, decreased by 4.06% to HK\$17,854,000 (six months ended 30 September 2015: HK\$18,609,000). Operating expenses in godown operations increased as the Group leased back 8/F of Chivas Godown from the purchaser to maintain the godown operation for one year. Segment profit dropped by 10.52% to HK\$8,193,000 (six months ended 30 September 2015: HK\$9,156,000), with profit margin in godown operation fall slightly to 46% (six months ended 30 September 2015: 49.20%). Occupancy level kept at around 77% over the period.

Property investment

Over the period under review, gross leasing income of the Group declined which was mainly resulted from the disposal of Chivas Godown. The increasing supply side competition in Kowloon East also restricted our ability to push rents higher.

Rental income generated from property investment fell by 33.87% to HK\$39,118,000 (6 months ended 30 September 2015: HK\$59,155,000) with segment profit registered at HK\$29,294,000 (six months ended 30 September 2015: HK\$52,613,000), a drop of 44.32%. Overall occupancy level at Lu Plaza was maintained at about 77%.

During the period, the Group had acquired one floor and 8 car parks at No. 181 Hoi Bun Road, Kwun Tong, Kowloon with total consideration of around HK\$88,800,000 (including solicitors' fee and stamp duty) which was intended for letting out for rental income.

During the year ended 31 March 2016, the Group had disposed the property known as Chivas Godown located at No. 60 Ka Yip Street, Chai Wan, Hong Kong at the consideration of HK\$1,550,000,000 and recognised a profit on disposal of HK\$618,542,000. The proceeds was used to finance:–

- (a) final and special dividend paid to shareholders of HK\$540,000,000;
- (b) purchase of investment properties at No. 181 Hoi Bun Road, Kwun Tong;
- (c) revitalization works in Lu Plaza;
- (d) increase in investment portfolio held for trading; and
- (e) balance held at bank for working capital and for future investment purposes.

Due to the disposal the Directors expected that total rental income and godown income for the second half of the year will have an obvious downturn compared to last year. When there is new major investment made that could significantly affect the income of the Group, the Group will inform the shareholders by announcement according to the listing rules.

Treasury investment

The Hong Kong stock market was largely buoyant but volatile during the period under review. Market sentiment improved amid easing concerns over an imminent interest rate hike in the U.S., the smaller-than-expected contagion effect of Brexit and the approval of the Shenzhen-Hong Kong Stock Connect implementation plan. Hang Seng Index closed at 23,297, up 12.13% from the end of March 2016.

During the period, the Group increased its securities investment trading portfolio and achieved a segment profit of HK\$24,430,000 (six months ended 30 September 2015: loss of HK\$4,116,000), which included gain on disposal of available-for-sale investment of HK\$19,782,000 and fair value loss on stock index futures and options contracts amounted to HK\$34,559,000 (six months ended 30 September 2015: Nil). Investments held for trading as at 30 September 2016 reached HK\$258,676,000 (31 March 2016: HK\$197,684,000), an increase of 30.85% compared to end of financial year 2016.

Interest income of HK\$1,524,000 (six months ended 30 September 2015: HK\$1,134,000) was mainly generated from bank deposits and Australian bonds, while dividend income of HK\$4,532,000 (six months ended 30 September 2015: HK\$2,564,000) was received from securities investment primarily listed in Hong Kong stock market.

As at 30 September 2016, the Group had exposure in derivative financial instruments which represented the stock index options liability in the amount of HK\$545,000 (31 March 2016: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group continued to maintain strong cash position. As at 30 September 2016, the Group had cash and bank balances of HK\$940,334,000 (31 March 2016: HK\$1,634,474,000), and had no bank borrowings. Debt-to-equity ratio (interest bearing borrowings divided by shareholders' equity) stood at zero while the current ratio (current assets divided by current liabilities) was 16.38 times (31 March 2016: 32.62 times). The Group did not pledge any assets as collateral for overdrafts or other loan facilities.

OPERATING AND ADMINISTRATIVE EXPENSES

Other expenses increases by 28.93% to HK\$15,885,000 (six months ended 30 September 2015: HK\$12,321,000) as a result of (a) the payment of warehouse rental expenses arising from lease back of 8/F of Chivas Godown and (b) increase in property management fee arising from employment of a professional property management company to manage the Kwai Chung's Godown in order to minimize operating costs and enhance property values.

EMPLOYEES

As at 30 September 2016, the total number of employees of the Group was 42 (31 March 2016: 44) employees, compared with 51 employees as at 30 September 2015. Staff cost (including Directors' emoluments) decreased by 12.48% to HK\$6,374,000 (six months ended 30 September 2015: HK\$7,283,000). The reduction in staff cost was mainly due to retirement of senior staff and restructuring of the operations.

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

EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment in US dollar, Euro time deposits and Australian dollar bonds. During the period, the Group recorded exchange losses of HK\$1,249,000 (six months ended 30 September 2015: HK\$1,753,000). As at 30 September 2016, the total value of the US dollar, Euro time deposits and the Australian dollar bonds amounted to approximately HK\$207,533,000, HK\$86,998,000 and HK\$5,922,000 (31 March 2016: HK\$207,395,000, HK\$87,758,000 and HK\$5,946,000) respectively.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

PLEDGE OF ASSETS

As at 30 September 2016, the Group did not have any pledge of assets (31 March 2016: nil).

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2016, the interests of the directors of the Company 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 director	Personal interests	Number of issued ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
		Family interests	Corporate interests	Others		
Mr. Lu Wing Yee, Wayne	7,910,420	–	1,523,440 ¹	4,400,000 ²	13,833,860	10.25%
Mr. Lam Ming Leung	10,000	–	–	–	10,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 1,523,440 shares through companies which were 100% controlled by himself.
2. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 4,400,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).

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 or debentures of the Company or its associated corporations as defined in Part XV of the SFO at 30 September 2016.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Kian Nan Financial Limited	49,203,445	–	36.45%
Earngold Limited	10,350,000	–	7.67%
Ms. Chan Koon Fung	2,989,500	69,953,106 ¹	54.03%

Note:

1. Among these 69,953,106 shares, (a) Ms. Chan Koon Fung was taken to be interested in 10,350,000 shares which were held by Earngold Limited, in which Ms. Chan owned 50%; (b) she was taken to be interested in 49,203,445 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 5,999,661 shares which were held by Lusin And Company Limited, in which Ms. Chan owned 38.75%; and (d) she was taken to be interested in 4,400,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).

Other than as disclosed above, at 30 September 2016, 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 share capital of the Company.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 21 December 2016 to Friday, 23 December 2016, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 20 December 2016.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

REVIEW OF RESULTS

The Group's condensed consolidated financial statements for the six months ended 30 September 2016 (the "Financial Statements") have not been audited but have been reviewed by Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the external independent auditor of the Company, whose review report is contained on page 8 of this Interim Report.

In the presence of the representatives of DTT, the Audit Committee met on 21 November 2016 and reviewed with the management the unaudited Financial Statements and expressed no disagreement with the accounting policies and standards adopted by the Group.

CORPORATE GOVERNANCE

The Company has complied with the code provisions set out in Appendix 14 of the Corporate Governance Code (the "Code") under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the six months ended 30 September 2016 except for the deviations from the following code provisions:

Code Provisions A.2.1 to A.2.9 stipulate (i) that 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 role and responsibility of the chairman of the board and the chief executive officer.

The late Mr. Lu Sin assumed the roles of both the Chairman and the Chief Executive Officer of the Company. Following the death of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this report.

The Board has kept under review 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.

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.

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. However, the Company did not have formal letters of appointment for directors. 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 Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provisions.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting.

Since the death of Mr. Lu Sin (the late Chairman), the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, has been elected and acted as chairman of the annual general meeting of the Company held on 18 August 2016 in accordance with the Articles of Association of the Company.

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 position of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reported to the Executive Director of the Company.

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 code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors 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 2016.

CHANGES OF DIRECTORS’ INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors’ information of the Company since the date of the 2016 annual report until the date of this interim report are as follows:

- (1) Mr. Lee Ka Sze, Carmelo, a Non-executive Director of the Company, has been appointed as a Convenor cum member of the Financial Reporting Review Panel of The Financial Reporting Council for a term of three years from 16 July 2016 to 15 July 2019.
- (2) Mr. Leung Man Chiu, Lawrence, an Independent Non-executive Director of the Company, was appointed as an Independent Non-executive Director of PFC Device Inc. (listed on the GEM Board of The Stock Exchange of Hong Kong Limited on 7 October 2016 with stock code 8231) on 19 September 2016.

Save for the information disclosed above and as at the date of this interim report, the Company is not aware of other change in the directors’ information which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

Lu Wing Yee, Wayne
Director

Hong Kong, 28 November 2016

**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 9 to 17, which comprise the condensed consolidated statement of financial position as of 30 September 2016 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 Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of 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, 28 November 2016

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2016

		Six months ended	
	<i>Notes</i>	30.9.2016	30.9.2015
		(unaudited)	(unaudited)
		<i>HK\$ '000</i>	<i>HK\$ '000</i>
Turnover	3	63,028	81,462
Income from godown operations		17,854	18,609
Income from property investment		39,118	59,155
Interest income		1,524	1,134
Dividend income		4,532	2,564
Gain on disposal of available-for-sale investments		19,782	–
Other gains and losses		1,432	(4,147)
Increase in fair value of investment properties		94,074	109,704
Staff costs		(6,374)	(7,283)
Depreciation of property, plant and equipment		(3,506)	(3,349)
Other expenses		(15,885)	(12,321)
Profit before taxation	4	152,551	164,066
Taxation	5	(6,500)	(10,458)
Profit for the period attributable to owners of the Company		146,051	153,608
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owned-occupied property to investment properties		–	214,389
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		–	19,619
Investment revaluation reserve released upon disposal of available-for-sale investments		(20,601)	–
Other comprehensive (expense) income for the period		(20,601)	234,008
Total comprehensive income for the period attributable to owners of the Company		125,450	387,616
Earnings per share – Basic	7	HK\$1.08	HK\$1.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	<i>Notes</i>	30.9.2016 (unaudited) <i>HK\$'000</i>	31.3.2016 (audited) <i>HK\$'000</i>
Non-current assets			
Investment properties	8	2,951,000	2,694,200
Property, plant and equipment	9	76,362	76,963
Available-for-sale investments		–	23,155
		3,027,362	2,794,318
Current assets			
Held-to-maturity investment		5,922	5,946
Investments held for trading		258,676	197,684
Trade and other receivables	10	26,099	16,962
Tax recoverable		–	1,219
Bank deposits		446,536	834,146
Other deposits		108,160	114,988
Bank balances and cash		385,638	685,340
		1,231,031	1,856,285
Current liabilities			
Other payables		58,495	44,084
Tax payable		16,111	12,831
Derivative financial instruments	11	545	–
		75,151	56,915
Net current assets		1,155,880	1,799,370
		4,183,242	4,593,688
Capital and reserves			
Share capital	12	178,216	178,216
Reserves		3,935,746	4,350,296
Equity attributable to owners of the Company		4,113,962	4,528,512
Non-current liabilities			
Long-term tenants' deposits received		11,264	9,162
Deferred tax liabilities		57,055	55,053
Provision for long service payments		961	961
		69,280	65,176
		4,183,242	4,593,688

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2015 (audited)	178,216	21,849	63,618	3,323,419	3,587,102
Profit for the period	–	–	–	153,608	153,608
Other comprehensive income for the period	–	19,619	214,389	–	234,008
Total comprehensive income for the period	–	19,619	214,389	153,608	387,616
Dividends paid (<i>note 6</i>)	–	–	–	(87,750)	(87,750)
At 30 September 2015 (unaudited)	<u>178,216</u>	<u>41,468</u>	<u>278,007</u>	<u>3,389,277</u>	<u>3,886,968</u>
At 1 April 2016 (audited)	178,216	20,601	215,821	4,113,874	4,528,512
Profit for the period	–	–	–	146,051	146,051
Other comprehensive expense for the period	–	(20,601)	–	–	(20,601)
Total comprehensive (expense) income for the period	–	(20,601)	–	146,051	125,450
Dividends paid (<i>note 6</i>)	–	–	–	(540,000)	(540,000)
At 30 September 2016 (unaudited)	<u>178,216</u>	<u>–</u>	<u>215,821</u>	<u>3,719,925</u>	<u>4,113,962</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2016

	Six months ended	
	30.9.2016 (unaudited) <i>HK\$ '000</i>	30.9.2015 (unaudited) <i>HK\$ '000</i>
Operating activities		
Profit before taxation	152,551	164,066
Adjustments for:		
Unrealised (gain) loss on investments held for trading	(17,081)	23,176
Unrealised loss on derivative financial instruments	545	–
Gain on disposal of available-for-sale investments	(19,782)	–
Increase in fair value of investment properties	(94,074)	(109,704)
Exchange loss on held-to-maturity investment	24	508
Depreciation of property, plant and equipment	3,506	3,349
	25,689	81,395
Operating cash flows before movements in working capital	25,689	81,395
Increase in investments held for trading	(43,911)	(9,313)
Other movements in working capital	7,377	(3,946)
	(10,845)	68,136
Net cash (used in) from operating activities	(10,845)	68,136
Investing activities		
Withdrawal of bank deposits	389,969	51,570
Sales proceeds from disposal of available-for-sale investments	22,336	–
Decrease (increase) in deposits with security brokers	6,828	(55,956)
Additions of investment properties	(162,726)	(13,296)
Purchase of property, plant and equipment	(2,905)	(9)
Addition of bank deposits	(2,359)	–
	251,143	(17,691)
Net cash from (used in) investing activities	251,143	(17,691)
Cash used in a financing activity		
Dividends paid	(540,000)	(87,750)
	(540,000)	(87,750)
Net decrease in cash and cash equivalents	(299,702)	(37,305)
Cash and cash equivalents at beginning of the period	685,340	141,429
Cash and cash equivalents at end of the period, represented by bank balances and cash	385,638	104,124

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2016

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Accounting Standards (“HKAS(s)”) and Hong Kong Financial Reporting Standards (“HKFRS(s)”) (hereinafter collectively referred to as the “revised HKFRSs”) issued by the HKICPA:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation of Interests in Joint Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

3. SEGMENT INFORMATION

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

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

3. SEGMENT INFORMATION (continued)

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 September 2016

	Godown operations <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i>	Treasury investment <i>HK\$ '000</i>	Segment total <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
Turnover					
Segment revenue	<u>17,854</u>	<u>39,118</u>	<u>6,056</u>	<u>63,028</u>	<u>63,028</u>
Segment profit	<u>8,193</u>	<u>29,294</u>	<u>24,430</u>	<u>61,917</u>	61,917
Increase in fair value of investment properties					94,074
Central administrative costs					<u>(3,440)</u>
Profit before taxation					<u>152,551</u>

For the six months ended 30 September 2015

	Godown operations <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i>	Treasury investment <i>HK\$ '000</i>	Segment total <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
Turnover					
Segment revenue	<u>18,609</u>	<u>59,155</u>	<u>3,698</u>	<u>81,462</u>	<u>81,462</u>
Segment profit (loss)	<u>9,156</u>	<u>52,613</u>	<u>(4,116)</u>	<u>57,653</u>	57,653
Increase in fair value of investment properties					109,704
Central administrative costs					<u>(3,291)</u>
Profit before taxation					<u>164,066</u>

Segment profit (loss) represents the profit earned or loss incurred by each segment without allocation of central administrative costs, directors' fees, change in fair value of investment properties, 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.

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

	30.9.2016 <i>HK\$ '000</i>	31.3.2016 <i>HK\$ '000</i>
Godown operations	80,040	84,771
Property investment	2,959,956	2,700,443
Treasury investment	830,051	1,176,764
Total segment assets	<u>3,870,047</u>	<u>3,961,978</u>
Godown operations	3,050	3,374
Property investment	29,290	41,838
Treasury investment	3,207	497
Total segment liabilities	<u>35,547</u>	<u>45,709</u>

4. PROFIT BEFORE TAXATION

	Six months ended	
	30.9.2016	30.9.2015
	HK\$'000	HK\$'000
Profit before taxation has been arrived at after charging (crediting):		
Exchange loss, net	1,249	1,753
Fair value gain (loss) on investments held for trading (Note)	35,912	(4,401)
Fair value loss on derivative financial instruments (Note)	(34,559)	–
	<u> </u>	<u> </u>

Note: Amount included in other gains and losses.

5. TAXATION

	Six months ended	
	30.9.2016	30.9.2015
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	4,498	9,379
Deferred taxation	2,002	1,079
	<u> </u>	<u> </u>
	<u>6,500</u>	<u>10,458</u>

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

6. DIVIDENDS

	Six months ended	
	30.9.2016	30.9.2015
	HK\$'000	HK\$'000
Dividends paid:		
Final dividend paid in respect of the year ended 31 March 2016 of HK12 cents (2015: HK10 cents) per ordinary share	16,200	13,500
Special dividend paid in respect of the year ended 31 March 2016 of HK\$3.88 (2015: HK55 cents) per ordinary share	523,800	74,250
	<u> </u>	<u> </u>
	<u>540,000</u>	<u>87,750</u>

Subsequent to the end of the reporting period, the directors of the Company have proposed that an interim dividend of HK8 cents per share, amounting to HK\$10,800,000 and a special dividend of HK22 cents per share, amounting to HK\$29,700,000 be paid to the shareholders of the Company, whose names appear in the register of members on 23 December 2016. The interim dividend and special dividend will be paid on or around 12 January 2017.

7. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$146,051,000 (six months ended 30.9.2015: HK\$153,608,000) and on 135,000,000 (six months ended 30.9.2015: 135,000,000) shares in issue throughout the period.

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

8. INVESTMENT PROPERTIES

	30.9.2016	31.3.2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
AT FAIR VALUE		
At beginning of period/year	2,694,200	3,176,400
Additions	162,726	67,267
Disposal	–	(1,197,118)
Transfer from property, plant and equipment	–	216,000
Increase in fair value recognised in profit or loss	94,074	431,651
	<u>2,951,000</u>	<u>2,694,200</u>
At end of period/year	<u>2,951,000</u>	<u>2,694,200</u>

In prior period, certain owned properties had become investment properties because the Group had rented out the properties to an independent third party to earn rentals and/or for capital appreciation. Accordingly, the carrying amounts of the relevant owned properties had been transferred from property, plant and equipment to investment properties on 16 September 2015 (the date of commencement of an operating lease). The excess of the fair value of those owned properties over the carrying amounts at the date of transfer of HK\$214,389,000 was recognised in property revaluation reserve.

The fair values of the majority of the Group's investment properties at 30 September 2016 amounting to HK\$2,922,800,000 (31.3.2016: HK\$2,694,200,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuation, are members of the Hong Kong Institute of Surveyors. The 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. This 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 fair values of the Group's investment properties as at 30 September 2016 amounting to HK\$28,200,000 (31.3.2016: nil) have been determined by the directors of the Company. The valuation performed by the directors of the Company was arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

The revaluation gave rise to a gain arising from changes in fair value of HK\$94,074,000 (six months ended 30.9.2015: HK\$109,704,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired additional property, plant and equipment of HK\$2,905,000 (six months ended 30.9.2015: HK\$9,000).

10. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period of 60 days to its customers in respect of godown operations and 30 days for tenants. 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, which approximate revenue recognition date, are as follows:

	30.9.2016 <i>HK\$'000</i>	31.3.2016 <i>HK\$'000</i>
Trade receivables		
Within 60 days	8,213	6,100
61 – 90 days	525	535
Over 90 days	–	261
	<hr/>	<hr/>
	8,738	6,896
Other receivables	9,674	3,342
Prepayments and deposits	7,687	6,724
	<hr/>	<hr/>
	26,099	16,962
	<hr/> <hr/>	<hr/> <hr/>

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30.9.2016 <i>HK\$'000</i>	31.3.2016 <i>HK\$'000</i>
Stock index options liability	<hr/> 545	<hr/> –

During the six months ended 30 September 2016, the loss on changes in fair value of the stock index futures and options amounted to HK\$34,559,000 (six months ended 30.9.2015: nil) has been recognised in profit or loss.

12. SHARE CAPITAL

	30.9.2016 & 31.3.2016	
	<i>Number of shares</i>	<i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value	<hr/> 135,000,000	<hr/> 178,216

13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value measurement of the derivative financial instruments, available-for-sale investments, investments held for trading which are listed securities in Hong Kong of HK\$545,000 (31.3.2016: nil), nil (31.3.2016: HK\$23,155,000) and HK\$258,676,000 (31.3.2016: HK\$197,684,000), respectively, are derived from quoted prices in an active market.

The valuation of derivative financial instruments, available-for-sale investments and investments held for trading are categorised in Level 1 of the fair value hierarchy with the fair value derived from quoted prices (unadjusted) in active market for identical assets.

There were no transfers between Level 1 and 2 in current and prior periods.

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.

14. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$576,800 (six months ended 30.9.2015: HK\$978,000).

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. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

COMPANY SECRETARY

Mr. Wong Leung Wai

BANKERS

The Hongkong and Shanghai

Banking Corporation Limited

Bank of China (Hong Kong) Limited

Bank of Tokyo-Mitsubishi UFJ

Industrial and Commercial Bank of

China (Asia) Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

Mr. Gan Khai Choon (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Mr. Gan Khai Choon

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Unit 1801, 18th Floor, Lu Plaza

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Kowloon

Hong Kong

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Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

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KEY DATES

Interim Results Announcement

28 November 2016

Closure of Register of Members

21 December 2016 to

23 December 2016

(both days inclusive)

Record Date for Interim Dividend and Special Dividend

23 December 2016

Payment of Interim Dividend and Special Dividend

on or around 12 January 2017

安全貨倉集團

SAFETY GODOWN GROUP

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