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**安全貨倉有限公司**  
**SAFETY GODOWN COMPANY, LIMITED**  
*(Incorporated in Hong Kong with limited liability)*  
**(Stock Code: 237)**

**ANNUAL RESULTS ANNOUNCEMENT FOR 2021/22**

The Board of Directors (the “Board”) of Safety Godown Company, Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2022 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2022**

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
Revenue	3	<b>122,850</b>	109,784
Income from godown operations		<b>19,719</b>	14,168
Income from property investment		<b>96,095</b>	91,396
Interest income		<b>2,090</b>	2,486
Dividend income		<b>4,946</b>	1,734
Other gains and losses		<b>11,403</b>	46,788
Other income		–	1,701
Exchange gain, net		<b>695</b>	113
Decrease in fair value of investment properties		<b>(136,558)</b>	(232,333)
Staff costs		<b>(16,796)</b>	(15,434)
Depreciation of property, plant and equipment		<b>(25,054)</b>	(22,538)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		<b>(751)</b>	(693)
Other expenses		<b>(28,303)</b>	(23,373)
Loss before taxation	5	<b>(72,514)</b>	(135,985)
Taxation	6	<b>(12,024)</b>	(11,596)
Loss and total comprehensive expense for the year attributable to owners of the Company		<b>(84,538)</b>	(147,581)
Loss per share – Basic	8	<b>(HK\$0.21)</b>	(HK\$0.36)

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>Non-current assets</b>			
Investment properties		<b>2,966,340</b>	3,101,400
Property, plant and equipment		<b>242,744</b>	252,955
		<u><b>3,209,084</b></u>	<u>3,354,355</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss ("FVTPL")		<b>332,538</b>	470,161
Trade and other receivables	9	<b>19,449</b>	21,421
Tax recoverable		<b>115</b>	756
Bank deposits		<b>414,538</b>	331,049
Other deposits		<b>61,069</b>	41,166
Bank balances and cash		<b>139,167</b>	247,974
		<u><b>966,876</b></u>	<u>1,112,527</u>
<b>Current liabilities</b>			
Other payables		<b>35,674</b>	35,556
Tax payable		<b>16,447</b>	17,285
		<u><b>52,121</b></u>	<u>52,841</u>
<b>Net current assets</b>		<u><b>914,755</b></u>	<u>1,059,686</u>
		<u><b>4,123,839</b></u>	<u>4,414,041</u>
<b>Capital and reserves</b>			
Share capital	10	<b>178,216</b>	178,216
Reserves		<b>3,849,920</b>	4,145,058
<b>Equity attributable to owners of the Company</b>		<u><b>4,028,136</b></u>	<u>4,323,274</u>
<b>Non-current liabilities</b>			
Long-term tenants' deposits received		<b>15,350</b>	15,444
Deferred tax liabilities		<b>79,662</b>	74,709
Provision for long service payments		<b>691</b>	614
		<u><b>95,703</b></u>	<u>90,767</u>
		<u><b>4,123,839</b></u>	<u>4,414,041</u>

*NOTES:*

**1. BASIS OF PREPARATION**

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

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

The financial information relating to the years ended 31 March 2022 and 2021 included in this preliminary announcement of annual results 2021/22 do not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the CO is as follows.

The Company has delivered the financial statements for the year ended 31 March 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the CO and will deliver the financial statements for the year ended 31 March 2022 in due course.

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

**2. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs**

In the current year, 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 consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
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 year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments <sup>2</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>2</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>2</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>2</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>1</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 3. REVENUE

The amount represents the following revenue recognised during the year:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from godown operations ( <i>note a</i> )	19,719	14,168
Income from property investment ( <i>note b</i> )	96,095	91,396
Dividend income from listed and unlisted investments	4,946	1,734
Bank interest income	751	1,184
Other interest income	1,339	1,302
	<u>122,850</u>	<u>109,784</u>

Notes:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<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)	2,260	1,305
Transportation income and other income (recognised at a point in time)	1,235	603
Storage service income (recognised over time)	<u>16,224</u>	<u>12,260</u>
	<u><b>19,719</b></u>	<u><b>14,168</b></u>
<b>Geographical market:</b>		
Hong Kong	<u><b>19,719</b></u>	<u><b>14,168</b></u>

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

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

(b) Leases

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<b>For operating leases:</b>		
Lease payments that are fixed		
Income from property investment	<u><b>96,095</b></u>	<u><b>91,396</b></u>

#### 4. SEGMENT INFORMATION

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

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

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

**For the year ended 31 March 2022**

	<b>Godown operations HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
Segment revenue	<u>19,719</u>	<u>96,095</u>	<u>7,036</u>	<u>122,850</u>
Segment profit (loss)	<u>3,016</u>	<u>(83,128)</u>	<u>15,580</u>	<u>(64,532)</u>
Central administrative costs				<u>(7,982)</u>
Loss before taxation				<u>(72,514)</u>

	<b>Godown operations HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Assets</b>				
Segment assets	215,590	3,012,292	808,324	4,036,206
Bank balances and cash				139,167
Unallocated other assets				<u>587</u>
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				<u>8,675</u>
Consolidated total liabilities				<u>147,824</u>

	<b>Godown operations HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Treasury investment HK\$'000</b>	<b>Consolidated HK\$'000</b>
<b>Other information</b>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	201	16,079	61	16,341
Depreciation of property, plant and equipment	18,919	6,135	–	25,054
Fair value gain on financial assets at FVTPL	–	–	11,005	11,005
Impairment loss on trade receivables	<u>–</u>	<u>751</u>	<u>–</u>	<u>751</u>

For the year ended 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>
Segment revenue	<u>14,168</u>	<u>91,396</u>	<u>4,220</u>	<u>109,784</u>
Segment (loss) profit	<u>(758)</u>	<u>(173,988)</u>	<u>47,611</u>	(127,135)
Central administrative costs				<u>(8,850)</u>
Loss before taxation				<u>(135,985)</u>
	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	234,338	3,139,129	844,083	4,217,550
Bank balances and cash				247,974
Unallocated other assets				<u>1,358</u>
Consolidated total assets				<u>4,466,882</u>
<b>Liabilities</b>				
Segment liabilities	1,483	39,962	1,130	42,575
Tax payable				17,285
Deferred tax liabilities				74,709
Unallocated other liabilities				<u>9,039</u>
Consolidated total liabilities				<u>143,608</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Other information</b>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	14,538	9,229	–	23,767
Depreciation of property, plant and equipment	16,446	6,092	–	22,538
Fair value gain on financial assets at FVTPL	–	–	46,477	46,477
Impairment loss on trade receivables	<u>–</u>	<u>693</u>	<u>–</u>	<u>693</u>

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.

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

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

#### Information about major customers

Revenue from a customer (in property investment segment) contributing approximately 9.9% (2021: 11.2%) of the total revenue of the Group amounted to HK\$12,177,000 in current year (2021: HK\$12,261,000).

#### Revenue from major services and investments

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

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

## 5. LOSS BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,188	1,100
– non-audit services	643	586
Gross rental income from investment properties	(96,095)	(91,396)
Less: direct operating expenses for investment properties that generated rental income during the year	10,093	8,772
direct operating expenses for investment properties that did not generate rental income during the year	1,004	735
Net rental income	(84,998)	(81,889)
Fair value gain on financial assets at FVTPL ( <i>note</i> )	(11,005)	(46,477)

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



## 6. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,293	7,499
Overprovision in prior years	<u>(222)</u>	<u>(26)</u>
	7,071	7,473
Deferred taxation		
Current year	<u>4,953</u>	<u>4,123</u>
	<u><b>12,024</b></u>	<u><b>11,596</b></u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

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

## 7. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend appropriation/paid in respect of 2022 – HK4 cents (2021: HK9 cents) per ordinary share	16,200	36,450
Final dividend appropriation/paid in respect of 2021 – HK5 cents (2020: HK3 cents) per ordinary share	20,250	12,150
Special dividend appropriation/paid in respect of 2021 – HK43 cents (2020: nil) per ordinary share	<u>174,150</u>	<u>–</u>
	<u><b>210,600</b></u>	<u><b>48,600</b></u>

A final dividend of HK6 cents per share, amounting to HK\$24,300,000 has been proposed by the directors of the Company and is subject to the approval by shareholders in the forthcoming annual general meeting.

## 8. LOSS PER SHARE – BASIC

The calculation of basic loss per share is based on loss for the year attributable to owners of the Company of HK\$84,538,000 (2021: HK\$147,581,000) and on 405,000,000 (2021: 405,000,000) shares in issue throughout both years.

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

## 9. TRADE AND OTHER RECEIVABLES

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
Within 60 days	5,249	3,008
61 – 90 days	851	3
Over 90 days	76	3
	<hr/>	<hr/>
	6,176	3,014
Other receivables, net of allowance for credit loss	842	2,580
Deferred lease receivables	11,061	8,769
Prepayments	550	6,086
Deposits	820	972
	<hr/>	<hr/>
	19,449	21,421
	<hr/> <hr/>	<hr/> <hr/>

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

## 10. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2020	135,000	178,216
Share subdivision ( <i>note</i> )	270,000	–
	<hr/>	<hr/>
At 31 March 2021 and 31 March 2022	405,000	178,216
	<hr/> <hr/>	<hr/> <hr/>

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

## **DIVIDENDS**

The Board has resolved to recommend the payment of a final dividend of HK6 cents per share (2021: a final dividend of HK5 cents per share and a special dividend of HK43 cents per share), amounting to HK\$24,300,000 (2021: HK\$194,400,000) for the year ended 31 March 2022 (the “Period”) to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on 31 August 2022 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) on 19 August 2022. The proposed final dividend will be dispatched to the Shareholders on 16 September 2022.

Together with the interim dividend of HK4 cents per share already paid on 11 January 2022, the total distribution for the Period will amount to approximately HK10 cents per share (2021: HK57 cents per share).

## **ANNUAL GENERAL MEETING**

The AGM of the Company will be held on Friday, 19 August 2022. The notice of AGM will be published on the website of the Hong Kong Exchanges and Clearing Limited (“HKEx”) at [www.hkex.com.hk](http://www.hkex.com.hk) and on the website of the Company at [www.safetygodown.com](http://www.safetygodown.com) and despatched to the Shareholders in due course as required by the Listing Rules.

## **CLOSURE OF MEMBERS REGISTER**

To ascertain the Shareholders’ entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 16 August 2022 to Friday, 19 August 2022, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 August 2022.

To ascertain the Shareholders’ entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 26 August 2022 to Wednesday, 31 August 2022, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 August 2022.

## **BUSINESS REVIEW**

During the Period, the loss attributable to the Shareholders was approximately HK\$84,538,000, representing a decrease of approximately 43% as compared with a loss of approximately HK\$147,581,000 for the corresponding period in 2021. The revenue increased by approximately 12% from HK\$109,784,000 to HK\$122,850,000. The loss per share decreased from approximately HK\$0.36 to HK\$0.21.

Excluding the fair value loss on investment properties, the Group's core earnings decreased by approximately 34% from HK\$96,348,000 to HK\$64,044,000.

The Group's loss before taxation recorded at HK\$72,514,000 (2021: a loss of HK\$135,985,000) representing a decrease of approximately 47%.

### **Godown operations segment**

As mentioned in the interim report of 2021/22, due to the gradual dissipation of the social unrest and COVID-19 pandemic, the overall revenue of the godown operations segment during the Period shown improvement when compared with that of last year. Despite the Omicron outbreak which caused the drop of turnover rate, the overall storage volume maintained at the level of 15,000 cubic meters ("CBM") as at 31 March 2022. The increase in the proportion of the revenue generated from the fast-moving consumer goods clientele reflected the change of reliance on industrial raw materials (e.g. paper and textile raw materials) in the past.

During the Period, the revenue and profit of the segment increased by approximately 39% to HK\$19,719,000 from HK\$14,168,000 and turned around to a profit of HK\$3,016,000 from a loss of HK\$758,000, respectively. The average utilization rate resumed to approximately 48% (based on the maximum capacity of 30,100 CBM) from 36% (based on the maximum capacity of 31,100 CBM) whilst the average rent per CBM increased to approximately HK\$95.

### **Property investment segment**

During the Period, the total rental revenue increased by approximately 5% to HK\$96,095,000 (2021: HK\$91,396,000) and the segment's profit (excluding fair value loss on investment properties) decreased by approximately 8% to HK\$53,430,000 (2021: HK\$58,345,000).

During the Period, the rental revenue of Lu Plaza which is the major property investment of the Group increased by approximately 5% to HK\$75,661,000 from HK\$72,124,000. The average occupancy rate of Lu Plaza increased by approximately 4.1% to approximately 84%. Excluding a total of approximately 6,200 square feet leased to NGOs and charities at below market rental rates, the average occupancy rate of Lu Plaza recorded an increase of approximately 3.5%.

The official launch of Lu Plaza's multi-function business centre "The LU+" on 25 June 2021 has signified turning over a new page. At the time of opening ceremony, the Group specifically organized a fundraising event "Let's Reach for the Sky" with Baptist Oi Kwan Social Service. Subsequently, the Group was very honored and grateful to have Mr. Lam Kwong Siu and Dr. Tan Siu Lin to visit "The LU+" business centre and shared their valuable opinions with us. "The LU+" was very well received and more than 100 events had been organised at "The LU+" by different chambers of commerce, NGOs and tenants. The Group will continue to leverage on its past work and make use of "The LU+" to pursue diverse social and economic benefits in order to enhance holistic profitability.

The newly designed website and Facebook Page for both Lu Plaza and the “The LU+” have been launched to attract more viewers and enhance the image of Lu Plaza.

### **Treasury investment segment**

The revenue and profit increased by approximately 67% to HK\$7,036,000 (2021: HK\$4,220,000) and decreased by 67% to HK\$15,580,000 (2021: HK\$47,611,000), respectively. The increase in revenue was attributable to the increase in dividend income and the decrease in profit was attributable to the decrease in fair value gain on the financial assets at fair value through profit and loss, including stocks, bonds, non-physical gold and investment funds.

During the Period, a total of 8,400 ounces non-physical gold was disposed of (including the disposal of 4,600 ounces non-physical gold on 23 August 2021 and the disposals of 3,800 ounces non-physical gold in aggregate between 11 February 2022 and 15 March 2022). The disposals recorded a gain of approximately HK\$7.67 million. In addition to the disposal of 1,000 ounces non-physical gold on 26 April 2022, the current portfolio’s position in investment of non-physical gold is 4,200 ounces. Details of the disposals can be referred to the announcements dated 24 August 2021 and 27 April 2022. In view of higher interest rates, the net proceeds from the disposals have been allocated to time deposits in the meantime. Investment portfolio will be re-allocated after the recent corrections in financial markets.

### **OUTLOOK**

Since the end of November 2021, the emergence and widespread outbreak of the highly transmissible Omicron variant of the COVID-19 triggered a new round of stringent preventative measures and lockdowns which has severely impacted all walks of life in Hong Kong. The operations of catering and wide-ranging retail businesses almost completely paused during the outbreak period. Given the uncertainty in association with the developments of the fifth wave of COVID-19 pandemic and potential lockdown arising from the compulsory universal testing planned by the HKSAR Government, the Hong Kong economy reported a worse-than-expected performance in the first quarter of 2022 and the HKSAR Government has downgraded the economic forecast for 2022 accordingly. The overall economic recovery will be delayed. From the global perspective, the world economy is navigating through the challenges caused by the inflationary pressures driven by rising oil prices, supply chain disruptions, rate-hiking cycle, geopolitical tensions and Ukraine war amid the easing of COVID-19 restrictions and economic reopening by many countries one by one. Given the gradual relaxation of social distancing measures and new round of consumption voucher scheme, it is anticipated that the Hong Kong economy will start to improve from the third quarter of 2022.

## **Godown Operations**

Even though the Omicron outbreak has caused an unprecedented impact, the HKSAR Government has managed to make tremendous effort to implement extensive isolation and quarantine measures and vaccination arrangements. At present, the pandemic tends to be stable and within a controllable range. The daily infection cases range from a few hundreds to a thousand level in June up to now. After the fifth wave outbreak experience, it is believed that the HKSAR Government, business community and Hong Kong people are poised to cope with any new developments of COVID-19. Should the current circumstances continue, the volume of business of godown operations is expected to maintain at the level of around 15,000 CBM as at 31 March 2022. Godown space utilization is expected to enhance. Further business growth will hinge on the overall economic recovery, rebound of trade activity and consumers spending and orderly relaxation of preventative measures.

## **Property Investment**

The occupancy rate of Lu Plaza dropped to below 80% at the worst times of economic downturn and raised to approximately 89% as at 31 March 2022. Given the abundant supply of new office space in the Kowloon East, the rental rates are subdued. The Group will continue to use its best efforts to attract more tenants by means of appropriate campaigns, better property management and auxiliary facilities, and the “The LU+” business centre platform.

Because of the inverse relationship between interest rates and investment property values, if interest rate continues to rise, a loss arising from a change in the fair value of investment properties may be recognised upon future revaluations.

## **Treasury Investment**

Given financial and economic fluctuations are being stoked by the global economic downturn and geopolitical tensions, the returns on stock investments and the interest income from bond investments are affected. The current global financial markets will cause uncertainty on the returns on stock investments. The investment committee of the Group will continue to prudently monitor the ongoing developments on the market environment in order to make timely asset allocation for the investment portfolio.

As at 31 March 2022, the Group had total cash and bank balances amounted to approximately HK\$614,774,000, of which approximately HK\$414,538,000 was arranged as time deposits and part of the balance was allocated for treasury investment.

The Group will remain cautious on the overall operating environment and the evolving development of the pandemic with an aim to responding to any existing and future challenges on its operations swiftly so as to safeguard the assets of the Group and maximise the Shareholders’ value.

## REVIEW OF FINANCIAL RESULTS

### Financial overview

For the Period, the Group's loss attributable to the Shareholders was HK\$84,538,000 (2021: loss of HK\$147,581,000) whilst the core earnings based on loss attributable to the Shareholders netted off the fair value loss on investment properties of HK\$136,558,000 (2021: loss of HK\$232,333,000) decreased by approximately 39% to HK\$52,020,000 (2021: HK\$84,752,000). Total revenue increased by approximately 12% to HK\$122,850,000 (2021: HK\$109,784,000).

During the Period, a total dividend payment of HK\$210,600,000 (2021: HK\$48,600,000) was paid. As at 31 March 2022, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$4,028,136,000 (31 March 2021: HK\$4,323,274,000) and HK\$9.95 (31 March 2021: HK\$10.67), respectively. Loss per share for the Period registered at HK\$0.21 (2021: loss per share of HK\$0.36).

### *Godown operations segment*

During the Period, the revenue and profit of godown operations increased by approximately 39% to HK\$19,719,000 (2021: HK\$14,168,000) and turned around to a profit of HK\$3,016,000 (2021: a loss of HK\$758,000), respectively. The profit margin increased to approximately 15% (2021: negative profit margin of 5%).

The average utilisation rate increased to approximately 48% (based on the total capacity of 30,100 CBM from 36% (based on the total capacity of 31,100 CBM). The average rent per CBM increased by approximately 3% to approximately HK\$95 (2021: HK\$92).

### *Property investment segment*

Total rental income and profit of the property investment segment increased by approximately 5% to HK\$96,095,000 (2021: HK\$91,396,000) and decreased by approximately 8% to HK\$53,430,000 (2021: HK\$58,345,000) compared with the corresponding period of last year, respectively.

The rental revenue generated from Lu Plaza which is the major investment property of the Group amounted to HK\$75,661,000 (2021: HK\$72,124,000), representing an increase of approximately 5% (2021: a decrease of 6%). As at 31 March 2022, the occupancy rate of Lu Plaza increased to approximately 89% (31 March 2021: 80%).

As at 31 March, 2022, the fair value of the Group's investment properties amounted to HK\$2,966,340,000 (31 March 2021: HK\$3,101,400,000) based on an unrealised fair value loss of HK\$136,558,000 (2021: loss of HK\$232,333,000) which was recognised through the profit or loss of the Period.

### ***Treasury investment segment***

The revenue and profit of the treasury investment segment increased by approximately 67% to HK\$7,036,000 (2021: HK\$4,220,000) and decreased by approximately 67% to HK\$15,580,000 (2021: HK\$47,611,000) based on the realised and unrealised gains of HK\$2,749,000 (2021: HK\$14,190,000) and HK\$8,256,000 (2021: HK\$32,287,000), respectively. As of 31 March 2022, the financial assets at fair value through profit and loss valued at HK\$332,538,000 (2021: HK\$470,161,000), representing a decrease of approximately 29%.

During the Period, the Group's foreign exchange exposure mainly related to United States dollar which is pegged to Hong Kong dollar. As at 31 March 2022, the Group's foreign exchange risk was minimal.

### **OPERATING COSTS**

During the Period, the staff costs increased by approximately 9% to HK\$16,796,000 (2021: HK\$15,434,000) and the depreciation increased by approximately 11% to HK\$25,054,000 (2021: HK\$22,538,000). The other operating expenses increased by approximately 21% to HK\$28,303,000 (2021: HK\$23,373,000).

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to adopt a prudent financial management policy and maintained a strong cash position. Total cash and bank balances as at 31 March 2022 amounted to HK\$614,774,000 (31 March 2021: HK\$620,189,000). Most of the bank deposits were denominated in Hong Kong or United States dollars. The strong cash reserve position offers protection against unstable times and it also gives the Group more options for future investment opportunities. The Group has sufficient financial resources to continue to finance its operations.

The Group financed its operations mainly by its internal cash reserve and cash flows generated from operations. Recurring net cash flow from operating activities before movement in working capital amounted to HK\$81,814,000 (2021: HK\$87,074,000), decreased by approximately 6%. As at 31 March 2022, net current assets amounted to HK\$914,755,000 (31 March 2021: HK\$1,059,686,000) with a liquidity ratio (total current assets divided by total current liabilities) of 18.55 times (31 March 2021: 21.05 times).

The Group did not have any kind of loans or borrowings throughout the Period, therefore the gearing ratio was zero. As at 31 March 2022, the Group had a net asset value of HK\$4,028,136,000 (31 March 2021: HK\$4,323,274,000).

### **DIVIDEND POLICY**

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



Total dividends including interim, final and special dividends paid by the Company during the Period amounted to HK\$210,600,000 (2021: interim and final dividends amounted to HK\$48,600,000).

## **RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS**

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

As at 31 March 2022, the Group employed 36 (31 March 2021: 37) employees. Total staff cost was HK\$16,796,000 (2021: HK\$15,434,000). The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group does not have any share option scheme for employees.

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

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

## **PLEDGE OF ASSETS**

As at 31 March 2022, the Group did not pledge any of its assets.

## **CONTINGENT LIABILITIES**

As at 31 March 2022, the Group did not have any significant contingent liabilities.

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

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

## **AUDIT COMMITTEE**

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

The Audit Committee, together with the management of the Company, have reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements of the Group for the Period.

## **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.

On 1 January 2022, the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules has been amended (the "New CG Code") and majority of amendments apply to financial year commencing on or after 1 January 2022. To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company has adopted various code provisions in the New CG Code for the financial year 2022/23 and will make necessary disclosure in the corporate governance report in the next annual report under the new disclosures requirement. The code provision numbers in this announcement follow the code provision numbers of the CG Code before the New CG Code came into effect.

The Company has complied with all the code provisions that were in force as set out in the CG Code throughout the Period except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

CG Code Provisions A.2.1 to A.2.9 stipulate that (i) the roles of Chairman of the Board and Chief Executive Officer should be separate and should not be performed by the same individual and (ii) the division of responsibilities between the Chairman of the Board and the Chief Executive Officer shall be clearly established.

Since 5 April 2015, the position of the Chairman of the Board and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this announcement. The Board has kept review of its current structure from time to time. If any candidate with suitable skills and experiences is identified within or outside the Group, the Company will make necessary appointment to fill these positions in due course. Currently, the Board collectively performs the responsibilities of the Chairman, and with the assistance of the senior management, the Executive Director continues to monitor the businesses and operations of the Group.

CG Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. However, all Non-executive Directors of the Company are appointed with no specific term. In fact, all the Directors (including Non-executive Directors) of the Company are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association (the "Articles"). The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision.

CG Code Provision D.1.4 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. But the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles. Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

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

## **OTHER INFORMATION**

The annual report of the Company for the Period containing all the information required by the Listing Rules will be published on the websites of the HKEx at [www.hkex.com.hk](http://www.hkex.com.hk) and the Company at [www.safetygodown.com](http://www.safetygodown.com) and despatched to Shareholders in due course.

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

Hong Kong, 23 June 2022

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

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