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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 THE YEAR ENDED 31 MARCH 2023

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 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	147,353	122,850
Income from godown operations		20,232	19,719
Income from property investment		101,644	96,095
Interest income		21,472	2,090
Dividend income		4,005	4,946
Other gains and losses		(41,117)	11,403
Other income		815	–
Exchange gain, net		218	695
Decrease in fair value of investment properties		(211,840)	(136,558)
Staff costs		(18,836)	(16,796)
Depreciation of property, plant and equipment		(25,824)	(25,054)
Impairment loss on trade receivables under expected credit loss (“ECL”) model		(1,414)	(751)
Other expenses		(24,648)	(28,303)
Loss before taxation	5	(175,293)	(72,514)
Taxation	6	(12,996)	(12,024)
Loss for the year attributable to owners of the Company		(188,289)	(84,538)

	<i>Note</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owned properties to investment properties		<u>93,626</u>	<u>–</u>
Total comprehensive expense for the year attributable to owners of the Company		<u>(94,663)</u>	<u>(84,538)</u>
Loss per share – Basic	8	<u>(HK\$0.46)</u>	<u>(HK\$0.21)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Non-current assets			
Investment properties		2,854,500	2,966,340
Property, plant and equipment		221,439	242,744
		<u>3,075,939</u>	<u>3,209,084</u>
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		134,018	332,538
Trade and other receivables	9	19,337	19,449
Tax recoverable		–	115
Bank deposits		716,827	414,538
Other deposits		11,107	61,069
Bank balances and cash		99,306	139,167
		<u>980,595</u>	<u>966,876</u>
Current liabilities			
Other payables		29,158	35,674
Tax payable		19,296	16,447
		<u>48,454</u>	<u>52,121</u>
Net current assets		<u>932,141</u>	<u>914,755</u>
		<u>4,008,080</u>	<u>4,123,839</u>
Capital and reserves			
Share capital	10	178,216	178,216
Reserves		3,722,857	3,849,920
Equity attributable to owners of the Company		<u>3,901,073</u>	<u>4,028,136</u>
Non-current liabilities			
Long-term tenants’ deposits received		21,687	15,350
Deferred tax liabilities		84,599	79,662
Provision for long service payments		721	691
		<u>107,007</u>	<u>95,703</u>
		<u>4,008,080</u>	<u>4,123,839</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 2023 and 2022 included in this preliminary announcement of annual results 2022/23 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 2022 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 2023 in due course.

The Company’s auditor has reported on these consolidated 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 AMENDMENTS TO HKFRSs

Amendments to HKFRSs that are mandatorily effective for the current year

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 Group’s annual period beginning on 1 April 2022 for the preparation of the 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

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.

3. REVENUE

The amount represents the following revenue recognised during the year:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Income from godown operations (<i>note a</i>)	20,232	19,719
Income from property investment (<i>note b</i>)	101,644	96,095
Dividend income from listed and unlisted investments	4,005	4,946
Bank interest income	20,039	751
Other interest income	1,433	1,339
	<u>147,353</u>	<u>122,850</u>

Notes:

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Income from godown operations		
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	1,864	2,260
Transportation and other income (recognised at a point in time)	1,042	1,235
Storage service income (recognised over time)	17,326	16,224
	<u>20,232</u>	<u>19,719</u>
Geographical market:		
Hong Kong	<u>20,232</u>	<u>19,719</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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed income from property investment	<u>101,644</u>	<u>96,095</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 2023

	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>20,232</u>	<u>101,644</u>	<u>25,477</u>	<u>147,353</u>
Segment profit (loss)	<u>729</u>	<u>(149,449)</u>	<u>(17,830)</u>	(166,550)
Central administrative costs				<u>(8,743)</u>
Loss before taxation				<u>(175,293)</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	196,341	2,893,953	865,823	3,956,117
Bank balances and cash				99,306
Unallocated other assets				1,111
Consolidated total assets				<u>4,056,534</u>

Liabilities				
Segment liabilities	2,314	39,974	104	42,392
Tax payable				19,296
Deferred tax liabilities				84,599
Unallocated other liabilities				9,174
Consolidated total liabilities				<u>155,461</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated total HK\$'000
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	2,844	7,995	54	10,893
Depreciation of property, plant and equipment	22,972	2,742	110	25,824
Fair value loss on financial assets at FVTPL	–	–	41,453	41,453
Impairment loss on trade receivables	–	1,414	–	1,414

For the year ended 31 March 2022

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
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>	(64,532)
Central administrative costs				(7,982)
Loss before taxation				<u>(72,514)</u>

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	215,590	3,012,292	808,324	4,036,206
Bank balances and cash				139,167
Unallocated other assets				587
				4,175,960
Consolidated total assets				4,175,960

Liabilities				
Segment liabilities	2,324	40,421	295	43,040
Tax payable				16,447
Deferred tax liabilities				79,662
Unallocated other liabilities				8,675
				147,824
Consolidated total liabilities				147,824

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	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	–	751	–	751
	–	751	–	751

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

None of the corresponding revenue from customers contribute over 10% of the total revenue of the Group for the years ended 31 March 2023 and 2022.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,223	1,188
– non-audit services	663	643
Gross rental income from investment properties	(101,644)	(96,095)
Less: direct operating expenses for investment properties that generated rental income during the year	7,794	10,093
direct operating expenses for investment properties that did not generate rental income during the year	583	1,004
Net rental income	(93,267)	(84,998)
Fair value loss (gain) on financial assets at FVTPL (note)	41,453	(11,005)

Note: Amount included in other gains and losses.

6. TAXATION

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	8,225	7,293
Overprovision in prior years	<u>(166)</u>	<u>(222)</u>
	8,059	7,071
Deferred taxation		
Current year	<u>4,937</u>	<u>4,953</u>
	<u>12,996</u>	<u>12,024</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interim dividend appropriation/paid in respect of 2023 – HK2 cents (2022: HK4 cents) per ordinary share	8,100	16,200
Final dividend appropriation/paid in respect of 2022 – HK6 cents (2021: HK5 cents) per ordinary share	24,300	20,250
Special dividend appropriation/paid in respect of 2022 – nil (2021: HK43 cents) per ordinary share	<u>–</u>	<u>174,150</u>
	<u>32,400</u>	<u>210,600</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2023 of HK3 cents (2022: HK6 cents) per share, in aggregate amounting to HK\$12,150,000 (2022: 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\$188,289,000 (2022: HK\$84,538,000) and on 405,000,000 (2022: 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:

	2023	2022
	HK\$'000	HK\$'000
Trade receivables		
Within 60 days	3,284	5,249
61 – 90 days	518	851
Over 90 days	170	76
	<hr/>	<hr/>
	3,972	6,176
Other receivables, net of allowance for credit loss	5,181	842
Deferred lease receivables	8,508	11,061
Prepayments	978	550
Deposits	698	820
	<hr/>	<hr/>
	19,337	19,449
	<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 '000	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2021, 31 March 2022 and 31 March 2023	405,000	178,216
	<hr/> <hr/>	<hr/> <hr/>

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK3 cents (2022: HK6 cents) per share, amounting to HK\$12,150,000 (2022: HK\$24,300,000) for the year ended 31 March 2023 (the “Year”) 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 2023 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) on 18 August 2023. The proposed final dividend will be dispatched to the Shareholders on 18 September 2023.

Together with the interim dividend of HK2 cents per share already paid on 10 January 2023, the total distribution for the Year will amount to HK5 cents (2022: HK10 cents) per share.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 18 August 2023. The notice of AGM will be published on the website of the Hong Kong Exchanges and Clearing Limited (“HKEx”) at www.hkex.com.hk and on the website of the Company at www.safetygodown.com and despatched to the Shareholders in due course as required by the Listing Rules.

CLOSURE OF MEMBERS REGISTER

To ascertain the shareholders’ entitlement to attend, speak and vote at the annual general meeting, the Register of Members will be closed from Tuesday, 15 August 2023 to Friday, 18 August 2023, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend, speak and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 August 2023.

To ascertain the shareholders’ entitlement to the proposed final dividend, the Register of Members will be closed from Monday, 28 August 2023 to Thursday, 31 August 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 25 August 2023.

BUSINESS REVIEW

During the Year, the loss attributable to the Shareholders was approximately HK\$188,289,000, representing an increase of approximately 123% as compared with a loss of approximately HK\$84,538,000 for the corresponding period in 2022. The revenue increased approximately 20% from HK\$122,850,000 to HK\$147,353,000. The loss per share increased from approximately HK\$0.21 to HK\$0.46.

Excluding the fair value loss on investment properties, the Group’s core earnings before taxation

decreased by approximately 43% from HK\$64,044,000 to HK\$36,547,000. The loss before taxation recorded HK\$175,293,000 (2022: a loss of HK\$72,514,000), representing an increase of approximately 142%.

Godown operations segment

During the Year, the average storage volume maintained at the level of 14,000 cubic meters. The average utilization rate was approximately 52% (based on the average maximum capacity of 27,500 CBM) from approximately 48% (based on the maximum capacity of 30,100 CBM). The average rent per cubic meter increased to approximately HK\$97 (2022: HK\$95).

Notwithstanding the unstable COVID-19 pandemic last year, Hong Kong economy has been gradually stabilising. Since the end of last year, different levels of Chinese Central Government (including HKSAR Government) has commenced to relax its anti-pandemic measures, and accordingly its economic activities have been gradually revitalising. However, the Group's godown operations segment could merely maintain at similar level as last year, which might be due to adjustment of inventory management strategies by our certain customers which resulted in slower pace of growths.

During the Year, the revenue of the segment increased by approximately 3% to HK\$20,232,000 (2022: HK\$19,719,000), whereas the profit of the segment decreased by approximately 76% to HK\$729,000 (2022: HK\$3,016,000), respectively.

Property investment segment

During the Year, the total rental revenue increased by approximately 6% to HK\$101,644,000 (2022: HK\$96,095,000) and the profit (excluding fair value loss on investment properties) increased by approximately 17% to HK\$62,391,000 (2022: HK\$53,430,000).

The rental revenue of Lu Plaza which is the major property investment of the Group increased by approximately 3% to HK\$77,637,000 (2022: HK\$75,661,000). The average occupancy rate of Lu Plaza increased by approximately 8% to approximately 91%. The increase in the overall occupancy rate was satisfactory.

Through the Lu Plaza's business centre "The LU+" as a platform, the Group has successfully established a meeting hub for tenants' operations, community business activities and charitable events, promoting stakeholders engagement and enhancing social impacts. It is instrumental in enabling to attract and retain tenants. Moreover, we arranged numerous marketing campaigns for the restaurant tenants in the past two years. The reputation and popularity of Lu Plaza has elevated. The webpage viewers and browsing volume of the social media continue to improve. We believe Lu Plaza has become one of the candidates of rental office in Kowloon East for the more established corporations. The Group will continue to leverage on its previous efforts and make use of "The LU+" to pursue diverse social and economic benefits and enhance profitability.

The rental revenue generated from the industrial and godown (including carparks) properties recorded a modest increase because of the additional 30,000 square feet had been leased during the Year.

Treasury investment segment

The performance of the treasury investment segment was disappointing, incurring a rather substantial loss during the Year.

The revenue increased by approximately 262% to HK\$25,477,000 (2022: HK\$7,036,000) and the segment's loss amounted to HK\$17,830,000 (2022: profit of HK\$15,580,000). The increase in revenue was attributable to the increase in interest and dividend income and the loss was attributable to the increase in fair value loss on the financial assets at fair value through profit and loss, including stocks, bonds, and investment funds.

During the Year, a total of 5,200 ounces non-physical gold was disposed (a disposal of 1,000 ounces on 26 April 2022, a disposal of 2,100 ounces on 13 July 2022 and a disposal of 2,100 ounces on 19 September 2022). The disposals recorded a loss of approximately HK\$8,226,000. Following the abovementioned disposals, the portfolio has no position in non-physical gold. In addition, a total loss of HK\$13,392,000 was recorded on the disposals of all overseas stocks during the Year.

In view of prevailing high interest rates and global economic uncertainty, a large portion of cash has been allocated for time deposits in the meantime. The management will continue to monitor the market conditions and optimize the portfolio's asset allocation accordingly.

OUTLOOK

In 2022, Hong Kong experienced the fifth wave outbreak of pandemic and the uncertainty caused by the impacts from global economic downturn. Continued geopolitical tensions, ongoing Ukraine war, high energy prices and high inflation pressures have posed significant threat to the global economic recovery. Since the second half of 2022, the HKSAR Government has proactively initiated numerous programmes to hasten the rebound of Hong Kong economy. As the reopening of border between Hong Kong and mainland China, all countries worldwide (including China and the HKSAR Government) basically have adopted the living with COVID-19 policy and the overall economic activity has resumed to normalcy. Although the recent spike of COVID-19 has been managed with ease by all (including healthcare system) and the economy has not been interrupted. In the long run, it is expected that the HKSAR Government will continue to strengthen the business environment and competitiveness to speed up the economic recovery.

Godown Operations

During the Year, the Group has improved the space utilization efficiency of its warehouses and expected the business to grow with the economic recovery. However, we noticed that the actual revenue growth this year was weaker than expected, and the storage volume of some customers at the end of the year decreased compared with the average of the past three years. This may be due to the fact that when transportation and logistics resume after the epidemic, customers no longer need to maintain high inventory levels to reduce the risk of supply chain disruption. Therefore, warehouse operating income is expected to face pressure.

Property Investment

With the combined efforts of the leasing and property management departments as well as the active marketing campaigns over the past two years, including the success of the “The LU+”, the occupancy rate of Lu Plaza increased to above 90%. With the abundant supply of new office spaces in the Kowloon East, from April this year, the Leasing Department has received requests from a number of tenants for early termination or reduction of leasable floor areas. In case of failure to retain those tenants, the rental income for the second half of the upcoming financial year will continue to be under pressure. The Group will continue to use its best efforts to attract more tenants by means of marketing campaigns, better property management and auxiliary facilities, the efficient utilisation of “The LU+” business centre platform and flexible leasing options in response to the challenges arising from the competitive office leasing environment.

For the other investment properties, the reallocation of portions of owner occupied godown areas to investment properties for the purpose of leasing is expected to increase rental revenue.

Treasury Investment

The current global financial market conditions will continue to cause uncertainty on investment returns. The management 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 2023, the Group had total cash and bank balances amounted to approximately HK\$827,240,000, of which approximately HK\$716,827,000 was arranged as time deposits and part of the balance was deposited in the Group’s investment accounts of financial institutions.

Barring from rapid change of interest rates hike, the high interest rate will generate higher interest income.

REVIEW OF FINANCIAL RESULTS

Financial overview

During the Year, the loss attributable to the Shareholders of the Company was HK\$188,289,000 (2022: loss of HK\$84,538,000) whilst the core earnings after taxation based on loss attributable to the Shareholders netted off the fair value loss on investment properties of HK\$211,840,000 (2022: loss of HK\$136,558,000) decreased by approximately 55% to HK\$23,551,000 (2022: HK\$52,020,000). Total revenue increased approximately 20% to HK\$147,353,000 (2022: HK\$122,850,000).

During the Year, a total dividend payment of HK\$32,400,000 (2022: HK\$210,600,000) was paid. As at 31 March 2023, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$3,901,073,000 (31 March 2022: HK\$4,028,136,000) and HK\$9.63 (31 March 2022: HK\$9.95), respectively. Loss per share for the Year registered at HK\$0.46 (2022: loss per share of HK\$0.21).

Godown operations segment

During the Year, the revenue and profit increased by approximately 3% to HK\$20,232,000 (2022: HK\$19,719,000) and decreased by approximately 76% to HK\$729,000 (2022: HK\$3,016,000), respectively. The profit margin decreased to approximately 4% (2022: 15%).

The average utilisation rate was approximately 52% (based on the average maximum capacity of 27,500 cubic meters (CBM)) (2022: 48% (based on the maximum capacity of 30,100 CBM)). The average rent per CBM increased by approximately 2% to approximately HK\$97 (2022: HK\$95).

Property investment segment

The total rental revenue and profit (excluding fair value loss on investment properties) increased by approximately 6% to HK\$101,644,000 (2022: HK\$96,095,000) and increased by approximately 17% to HK\$62,391,000 (2022: HK\$53,430,000) 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\$77,637,000 (2022: HK\$75,661,000), representing an increase of approximately 3% (2022: 5%). As at 31 March 2023, the occupancy of Lu Plaza increased to approximately 91% (31 March 2022: 89%).

As at 31 March, 2023, the fair value of the Group's investment properties amounted to HK\$2,854,500,000 (31 March 2022: HK\$2,966,340,000) based on an unrealised fair value loss of HK\$211,840,000 (2022: loss of HK\$136,558,000) which was recognised through the profit and loss of the Year.

Treasury investment segment

The revenue increased by approximately 262% to HK\$25,477,000 (2022: HK\$7,036,000) and the loss was HK\$17,830,000 (2022: profit of HK\$15,580,000) based on the realised and unrealised losses on financial assets at FVTPL of HK\$26,417,000 (2022: gain of HK\$2,749,000) and HK\$15,036,000 (2022: gain of HK\$8,256,000), respectively. As of 31 March 2023, the financial assets at fair value through profit and loss valued at HK\$134,018,000 (2022: HK\$332,538,000), representing a decrease of approximately 60%.

During the Year, the Group's foreign exchange exposure mainly related to United States dollar which is pegged to Hong Kong dollar. As at 31 March 2023, the Group's foreign exchange risk was minimal.

OPERATING COSTS

During the Year, the staff costs increased by approximately 12% to HK\$18,836,000 (2022: HK\$16,796,000) and depreciation increased by approximately 3% to HK\$25,824,000 (2022: HK\$25,054,000). Other operating expenses decreased by approximately 13% to HK\$24,648,000 (2022: HK\$28,303,000).

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 2023 amounted to HK\$827,240,000 (31 March 2022: HK\$614,774,000). 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\$79,294,000 (2022: HK\$81,814,000), decreased by approximately 3%. As at 31 March 2023, net current assets amounted to HK\$932,141,000 (31 March 2022: HK\$914,755,000) with a liquidity ratio (total current assets divided by total current liabilities) of 20.24 times (31 March 2022: 18.55 times).

During the Year, the Group did not have any kind of loans or borrowings, therefore the gearing ratio was zero. As at 31 March 2023, the Group had a net asset value of HK\$3,901,073,000 (31 March 2022: HK\$4,028,136,000).

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 and final dividends paid by the Company during the Year amounted to HK\$32,400,000 (2022: interim, final and special dividends amounted to HK\$210,600,000).

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 2023, the Group employed 39 (31 March 2022: 36) employees. Total staff cost was HK\$18,836,000 (2022: HK\$16,796,000). 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 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 2023, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2023, the Group did not have any significant contingent liabilities.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

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

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 (the "CG Code") contained in Appendix 14 of the Listing Rules throughout the year ended 31 March 2023 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 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 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 year ended 31 March 2023.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board on 28 June 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

OTHER INFORMATION

The annual report of the Company for the year ended 31 March 2023 containing all the information required by the Listing Rules will be published on the websites of the HKEx at www.hkex.com.hk and the Company at www.safetygodown.com and despatched to shareholders in due course.

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

Hong Kong, 28 June 2023

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

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