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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 2024**

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 2024 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Revenue	3	177,192	147,353
Income from godown operations		17,284	20,232
Income from property investment		111,811	101,644
Interest income		44,822	21,472
Dividend income		3,275	4,005
Other gains and losses		(2,433)	(41,117)
Other income		–	815
Exchange (loss) gain, net		(1,403)	218
Decrease in fair value of investment properties		(206,756)	(211,840)
Staff costs		(22,215)	(18,836)
Depreciation of property, plant and equipment		(23,699)	(25,824)
Impairment loss on trade and other receivables under expected credit loss (“ECL”) model		(178)	(1,414)
Other expenses		(30,278)	(24,648)
Loss before taxation	5	(109,770)	(175,293)
Taxation	6	(12,879)	(12,996)
Loss for the year attributable to owners of the Company		(122,649)	(188,289)

	<i>Note</i>	2024 <i>HK\$'000</i>	2023 <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>123,555</u>	<u>93,626</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>906</u>	<u>(94,663)</u>
Loss per share – Basic	8	<u>(HK\$0.30)</u>	<u>(HK\$0.46)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2024

	<i>Notes</i>	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Investment properties		2,812,400	2,854,500
Property, plant and equipment		173,419	221,439
		<u>2,985,819</u>	<u>3,075,939</u>
Current assets			
Financial assets at fair value through profit or loss (“FVTPL”)		175,577	134,018
Trade and other receivables	9	19,130	19,337
Bank deposits		844,926	716,827
Other deposits		2,190	11,107
Bank balances and cash		18,281	99,306
		<u>1,060,104</u>	<u>980,595</u>
Current liabilities			
Other payables		41,617	29,158
Tax payable		20,289	19,296
		<u>61,906</u>	<u>48,454</u>
Net current assets		<u>998,198</u>	932,141
		<u>3,984,017</u>	<u>4,008,080</u>
Capital and reserves			
Share capital	10	178,216	178,216
Reserves		3,701,488	3,722,857
Equity attributable to owners of the Company		<u>3,879,704</u>	3,901,073
Non-current liabilities			
Long-term tenants’ deposits received		15,319	21,687
Deferred tax liabilities		87,667	84,599
Provision for long service payments		1,327	721
		<u>104,313</u>	<u>107,007</u>
		<u>3,984,017</u>	<u>4,008,080</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 2024 and 2023 included in this preliminary announcement of annual results for the year ended 31 March 2024 does 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 2023 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 2024 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 NEW AND AMENDMENTS TO HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

2.1 Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies in the consolidated financial statements.

3. REVENUE

The amount represents the following revenue recognised during the year:

	2024 <i>HK\$’000</i>	2023 <i>HK\$’000</i>
Income from godown operations (<i>note a</i>)	17,284	20,232
Income from property investment (<i>note b</i>)	111,811	101,644
Dividend income from listed and unlisted investments	3,275	4,005
Bank interest income	43,199	20,039
Other interest income	1,623	1,433
	<u>177,192</u>	<u>147,353</u>

Notes:

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

	2024 <i>HK\$'000</i>	2023 <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)	1,101	1,864
Transportation and other income (recognised at a point in time)	1,371	1,042
Storage service income (recognised over time)	<u>14,812</u>	<u>17,326</u>
	<u>17,284</u>	<u>20,232</u>
Geographical market:		
Hong Kong	<u>17,284</u>	<u>20,232</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed income from property investment	<u>111,811</u>	<u>101,644</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 one of the executive directors 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 2024

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Segment revenue	<u>17,284</u>	<u>111,811</u>	<u>48,097</u>	<u>177,192</u>
Segment (loss) profit	<u>(2,042)</u>	<u>(144,378)</u>	<u>44,253</u>	(102,167)
Central administrative costs				<u>(7,603)</u>
Loss before taxation				<u>(109,770)</u>
	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	152,349	2,847,607	1,026,884	4,026,840
Bank balances and cash				18,281
Unallocated other assets				<u>802</u>
Consolidated total assets				<u>4,045,923</u>
Liabilities				
Segment liabilities	2,541	43,338	2,060	47,939
Tax payable				20,289
Deferred tax liabilities				87,667
Unallocated other liabilities				<u>10,324</u>
Consolidated total liabilities				<u>166,219</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	991	15,699	199	16,889
Depreciation of property, plant and equipment	18,778	4,794	127	23,699
Fair value loss on financial assets at FVTPL	–	–	2,745	2,745
Impairment loss on trade receivables	79	–	–	79
	<u>991</u>	<u>15,699</u>	<u>199</u>	<u>16,889</u>

For the year ended 31 March 2023

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
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				(8,743)
Loss before taxation				<u>(175,293)</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	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 <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	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

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 2024 and 2023.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,247	1,223
– non-audit services	595	663
Gross rental income from investment properties	(111,811)	(101,644)
Less: direct operating expenses for investment properties that generated rental income during the year	19,571	11,873
direct operating expenses for investment properties that did not generate rental income during the year	925	583
Net rental income	(91,315)	(89,188)
Fair value loss on financial assets at FVTPL (<i>note</i>)	2,745	41,453

Note: Amount included in other gains and losses.

6. TAXATION

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	9,930	8,225
Overprovision in prior years	<u>(119)</u>	<u>(166)</u>
	9,811	8,059
Deferred taxation		
Current year	<u>3,068</u>	<u>4,937</u>
	<u>12,879</u>	<u>12,996</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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend appropriation/paid in respect of 2024 – HK2.5 cents (2023: HK2 cents) per ordinary share	10,125	8,100
Final dividend appropriation/paid in respect of 2023 – HK3 cents (2022: HK6 cents) per ordinary share	<u>12,150</u>	<u>24,300</u>
	<u>22,275</u>	<u>32,400</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2024 of HK4.5 cents (2023: HK3 cents) per share, in aggregate amounting to HK\$18,225,000 (2023: HK\$12,150,000) 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\$122,649,000 (2023: HK\$188,289,000) and on 405,000,000 (2023: 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables		
Within 60 days	4,624	3,284
61 – 90 days	215	518
Over 90 days	234	170
	<u>5,073</u>	<u>3,972</u>
Other receivables, net of allowance for credit loss	6,107	5,181
Deferred lease receivables	6,262	8,508
Prepayments	474	978
Deposits	1,214	698
	<u>19,130</u>	<u>19,337</u>

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 2022, 31 March 2023 and 31 March 2024	405,000	178,216
	<u>405,000</u>	<u>178,216</u>

DIVIDENDS

The Board has resolved to recommend the payment of a final dividend of HK4.5 cents (2023: HK3 cents) per share, amounting to HK\$18,225,000 (2023: HK\$12,150,000) for the year ended 31 March 2024 to the shareholders of the Company (the “Shareholders”) whose names appear on the register of members of the Company (the “Register of Members”) on 2 September 2024 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) on 19 August 2024. The proposed final dividend will be dispatched to the Shareholders on 17 September 2024.

Together with the interim dividend of HK2.5 cents per share already paid on 15 January 2024, the total distribution for the year will amount to HK7 cents (2023: HK5 cents) per share.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Monday, 19 August 2024. 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 and vote at the annual general meeting, the Register of Members will be closed from Wednesday, 14 August 2024 to Monday, 19 August 2024, 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 Tuesday, 13 August 2024.

To ascertain the Shareholders’ entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 28 August 2024 to Monday, 2 September 2024, 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 Tuesday, 27 August 2024.

BUSINESS REVIEW

During the year, the loss attributable to the Shareholders was HK\$122,649,000, representing a decrease of 35% as compared with a loss of HK\$188,289,000 for the corresponding year in 2023. The revenue increased by 20% from HK\$147,353,000 to HK\$177,192,000. The loss per share decreased from HK\$0.46 to HK\$0.30. Excluding the fair value loss on investment properties, the Group's core earnings before taxation (non-HKFRS financial measure) increased by 165% from HK\$36,547,000 to HK\$96,986,000. The loss before taxation recorded HK\$109,770,000 (2023: a loss of HK\$175,293,000), representing a decrease of 37%.

Godown operations segment

After the outbreak of the pandemic, Hong Kong's economic recovery fell short of expectations, and enterprises have generally remained hesitant and adopted cautious strategies. Therefore, the Group's logistics business recorded a considerable decline compared to last year, with the average storage volume dropping from approximately 14,000 cubic meters last year to approximately 11,000 cubic meters for the year, which was rather disappointing. However, in response to changes in the business environment, the Group rented out two floors of the godown premises in Kwai Chung and reduced the storage area for the godown business, enabling it to maintain an average storage rate of 58% for the year. As a result, revenue of the segment for the year dropped by 15% to HK\$17,284,000 (2023: HK\$20,232,000), resulting in a turnaround and a loss of HK\$2,042,000 (2023: profit of HK\$729,000). Average storage rent for the year rose by 14% compared to last year.

Property investment segment

During the year, income from property investment increased by 10% to HK\$111,811,000 (2023: HK\$101,644,000) and the segment profit (excluding fair value loss on investment properties) amounted to HK\$62,378,000 (2023: HK\$62,391,000), which was comparable to last year.

The rental revenue generated from Lu Plaza which is the major investment property of the Group decreased by 1% to HK\$77,127,000 (2023: HK\$77,637,000). The average occupancy rate declined by 2% to 89% (2023: 91%). Renewal rentals were subject to severe pressure, reflecting a dampened office market in Hong Kong. Throughout the year, the rental business for Lu Plaza encountered a number of challenges. Although the survey responses revealed that the tenants were satisfied with the building events and facilities, such as "The LU+" Business Centre, gym room, and restaurants, rental income and occupancy inevitably recorded a slight decline due to the unfavourable leasing market atmosphere.

Rental revenue generated from the industrial and godown (including carparks) properties recorded an increase, mainly due to the newly leased godown properties in recent years, and more than 60,000 square feet had been leased in total.

The revenue of property investment segment rose while profit remained flat. This was attributable to higher property-related expenses, which reflect inflationary pressures. In addition, due to intense competition in the market, the Company also invested extra resources in marketing, enhanced property quality and increased commissions for estate agents to attract tenants, resulting in an inevitable increase in related expenses.

The fair value of investment properties was decreased further by HK\$206,756,000 during the year, as investor confidence in the property market has yet to be restored as a result of the persistently high interest rates and the sluggish business environment of Hong Kong.

Treasury investment segment

The results of the treasury investment segment recovered during the year as a result of the rate hikes and the decrease in fair value loss on treasury investment. The revenue increased to HK\$48,097,000 (2023: HK\$25,477,000) and a profit of HK\$44,253,000 (2023: loss of HK\$17,830,000) was recorded. The increase in revenue was substantially attributable to the increase in interest income from deposits.

In view of the prevailing high interest rates and global economic uncertainty, a large portion of the Group's cash was allocated to time deposits during the year in order to generate a more stable income to withstand the impact of the negative economic environment.

OUTLOOK

Godown operations segment

Currently, the Group has not yet witnessed a significant recovery in the consumer market and as such remains hesitant about the godown operations segment.

Property investment segment

The supply of office space in Hong Kong increased during the economic boom before 2020, but market absorption has remained at a low level since the outbreak of the pandemic, resulting an increase in the vacancy rate. The situation has continued to make an adverse impact on commercial properties to date. It is expected that there will be some downward pressure on rental levels in the coming year. The Group will attempt to alleviate the impact of the negative market sentiment and environment on the leasing of Lu Plaza by proactive marketing campaigns and leveraging of "The LU+" Business Centre as the key selling point.

According to a monthly report on Hong Kong's property market recently published by a real estate service firm, the overall office vacancy rate in Hong Kong remained high at 13%, with the vacancy rate in Kowloon East reaching as high as 17.7%. This has undoubtedly posed a great challenge to the leasing of Lu Plaza. The outbreak of the pandemic in 2020 brought about a tremendous change in the way the world operated, with more businesses adopting the flexibility of working from home and connecting via video and electronic means, which has led to a reduction in demand for office space. Since 2009, Hong Kong's commercial property values (office and retail) had risen steadily for a decade, attributable mostly to the booming economy and low interest rate environment. The prevailing economic headwinds, along with consistently high interest rates, have prompted financial institutions to adopt conservative lending policies. Thus, rental transactions and prices in the short to medium term office market may not be optimistic.

The prevailing six-month Hong Kong Interbank Offered Rate (HIBOR) has risen exponentially from three years ago. If interest rates rise further or remain at the current higher levels, it is estimated that property values will continue to be adversely affected.

Treasury investment segment

The current concerns of the global financial market and international geopolitical tension have heightened the volatility of investment returns. The management will continue to prudently monitor the ongoing developments in the market environment in order to decide the next step of investment. As at 31 March 2024, the Group had HK\$865,397,000 in cash, bank balances and deposits. Interest rates are currently at their highest level in over a decade and are expected to fall only slightly or remain flat for at least the next few months. Unless there is a dramatic change in the global economy and financial markets, or a reduction in deposits as a result of significant investments made by the Group, interest income from deposits is anticipated to fall only slightly or remain relatively stable in the coming year.

REVIEW OF FINANCIAL RESULTS

Financial overview

During the year, the Group's loss attributable to the Shareholders of the Company was HK\$122,649,000 (2023: loss of HK\$188,289,000) whilst the core earnings after taxation (non-HKFRS financial measure) based on loss attributable to the Shareholders netted off the fair value loss on investment properties of HK\$206,756,000 (2023: loss of HK\$211,840,000) and the loss on disposal of property, plant and equipment of HK\$1,000 (2023: nil), increased by 257% to HK\$84,108,000 (2023: HK\$23,551,000). Total revenue increased 20% to HK\$177,192,000 (2023: HK\$147,353,000).

During the year, a total dividend payment of HK\$22,275,000 (2023: HK\$32,400,000) was appropriated. As at 31 March 2024, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$3,879,704,000 (31 March 2023: HK\$3,901,073,000) and HK\$9.58 (31 March 2023: HK\$9.63), respectively. Loss per share for the year registered at HK\$0.30 (2023: loss of HK\$0.46).

Godown operations segment

During the year, the revenue decreased by 15% to HK\$17,284,000 (2023: HK\$20,232,000). It swung into a loss of HK\$2,042,000 (2023: profit of HK\$729,000).

The average utilisation rate was 58% (based on the average maximum capacity of 19,400 cubic meters ("CBM")) (2023: 52% (based on the maximum capacity of 27,500 CBM)), while the average storage rent per CBM increased by 14% year-on-year.

Property investment segment

The total rental income increased by 10% to HK\$111,811,000 (2023: HK\$101,644,000), while the profit excluding fair value losses on investment properties (non-HKFRS financial measure) was HK\$62,378,000 (2023: HK\$62,391,000), which was much the same as last year.

The rental revenue generated from Lu Plaza, which is the major investment property of the Group, amounted to HK\$77,127,000 (2023: HK\$77,637,000), which was similar to last year. As at 31 March 2024, the occupancy of Lu Plaza decreased to 89% (31 March 2023: 91%).

As at 31 March, 2024, the fair value of the Group's investment properties amounted to HK\$2,812,400,000 (31 March 2023: HK\$2,854,500,000) based on an unrealised fair value loss of HK\$206,756,000 (2023: loss of HK\$211,840,000) which was recognised through the profit and loss of the year.

Treasury investment segment

The revenue increased by 89% to HK\$48,097,000 (2023: HK\$25,477,000) and the profit was HK\$44,253,000 (2023: loss of HK\$17,830,000) including the realised gain and unrealised losses on financial assets at fair value through profit or loss of HK\$306,000 (2023: loss of HK\$26,417,000) and HK\$3,051,000 (2023: loss of HK\$15,036,000), respectively. As of 31 March 2024, the financial assets at fair value through profit and loss valued at HK\$175,577,000 (2023: HK\$134,018,000), representing an increase of 31%.

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 2024, the Group's foreign exchange risk was minimal.

OPERATING COSTS

The operating costs of the Group, mainly comprised of staff costs, repairs and maintenance, depreciation, and other operating and administrative costs. Staff costs increased by 18% to HK\$22,215,000 (2023: HK\$18,836,000) during the year which was due to the bonus, annual salary adjustment and the appointment of a senior executive. The depreciation of the year amounted to HK\$23,699,000 (2023: HK\$25,824,000), representing a decrease of 8% as a result of reclassification of certain owned-properties and leased lands as investment properties. Other operating and administrative costs (including property management fees, real estate agency fees, and rates and government rent), increased by 23% to HK\$30,278,000 (2023: HK\$24,648,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt a prudent financial management policy and maintained a strong cash position. Total bank and other deposits, and cash and bank balances as at 31 March 2024 amounted to HK\$865,397,000 (31 March 2023: HK\$827,240,000). 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\$124,735,000 (2023: HK\$79,294,000), increased by 57%. As at 31 March 2024, net current assets amounted to HK\$998,198,000 (31 March 2023: HK\$932,141,000) with a liquidity ratio (total current assets divided by total current liabilities) of 17.12 times (31 March 2023: 20.24 times).

During the year, the Group did not have any loans nor borrowings. As such, the gearing ratio was zero. As at 31 March 2024, the Group had a net asset value of HK\$3,879,704,000 (31 March 2023: HK\$3,901,073,000).

DIVIDEND POLICY

It is the Board's intention to provide the Shareholders with a relatively consistent long-term dividend income. 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\$22,275,000 (2023: HK\$32,400,000).

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 2024, the Group employed 38 (31 March 2023: 39) employees. Total staff cost was HK\$22,215,000 (2023: HK\$18,836,000). 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 key elements of our businesses. 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 customer needs. For our property investment, we have engaged quality property management company to manage our major investment properties. Tenant 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 2024, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2024, 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 Mr. Wong Wilkie. 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 C1 of the Listing Rules throughout the year ended 31 March 2024 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 Directors continue 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 Directors 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 18 August 2023 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 C3 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 2024.

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 2024 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 25 June 2024. 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 2024 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, 25 June 2024

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>
Ms. Lu Wing Man, Melissa	<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>
Mr. Wong Wilkie	<i>Independent Non-executive Director</i>