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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 2025

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 2025 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2025

	<i>Notes</i>	2025 HK\$'000	2024 HK\$'000
Revenue	3	177,462	177,192
Income from godown operations		15,808	17,284
Income from property investment		110,930	111,811
Interest income		44,424	44,822
Dividend income		6,300	3,275
Other gains and losses		33,706	(2,433)
Exchange loss, net		–	(1,403)
Decrease in fair value of investment properties		(395,313)	(206,756)
Staff costs		(20,728)	(22,215)
Depreciation of property, plant and equipment		(21,878)	(23,699)
Impairment loss on trade and other receivables under expected credit loss (“ECL”) model		–	(178)
Other expenses		(28,384)	(30,278)
Loss before taxation	5	(255,135)	(109,770)
Taxation	6	(10,374)	(12,879)
Loss for the year attributable to owners of the Company		(265,509)	(122,649)

		2025	2024
	Note	HK\$'000	HK\$'000
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>—</u>	<u>123,555</u>
Total comprehensive (expense) income for the year attributable to owners of the Company		<u>(265,509)</u>	<u>906</u>
Loss per share – Basic	8	<u><u>(HK\$0.66)</u></u>	<u><u>(HK\$0.30)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2025

	Notes	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Investment properties		2,442,800	2,812,400
Property, plant and equipment		145,934	173,419
		<u>2,588,734</u>	<u>2,985,819</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		316,994	175,577
Trade and other receivables	9	16,770	19,130
Tax recoverable		484	—
Bank deposits		771,615	844,926
Other deposits		33,723	2,190
Bank balances and cash		18,961	18,281
		<u>1,158,547</u>	<u>1,060,104</u>
Current liabilities			
Other payables		36,046	41,617
Tax payable		18,166	20,289
		<u>54,212</u>	<u>61,906</u>
Net current assets		<u>1,104,335</u>	<u>998,198</u>
		<u>3,693,069</u>	<u>3,984,017</u>
Capital and reserves			
Share capital	10	178,216	178,216
Reserves		3,405,604	3,701,488
Equity attributable to owners of the Company		<u>3,583,820</u>	<u>3,879,704</u>
Non-current liabilities			
Long-term tenants' deposits received		18,994	15,319
Deferred tax liabilities		89,080	87,667
Provision for long service payments		1,175	1,327
		<u>109,249</u>	<u>104,313</u>
		<u>3,693,069</u>	<u>3,984,017</u>

NOTES

1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs Accounting Standards as 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 2025 and 2024 included in this preliminary announcement of annual results 2024/25 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 2024 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 2025 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 HKFRS ACCOUNTING STANDARDS

Amendments to HKFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRS Accounting Standards as issued by the HKICPA for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRS Accounting Standards 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 HKFRS Accounting Standards in issue but not yet effective

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined.

² Effective for annual periods beginning on or after 1 January 2025.

³ Effective for annual periods beginning on or after 1 January 2026.

⁴ Effective for annual periods beginning on or after 1 January 2027.

Except for the amendments to HKFRS Accounting Standards mentioned below, the directors of the Company anticipate that the application of all other amendments to HKFRS Accounting Standards will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18 *Presentation and Disclosure in Financial Statements*, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. This new HKFRS Accounting Standard, while carrying forward many of the requirements in HKAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and HKFRS 7 *Financial Instruments: Disclosures*. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of HKFRS 18 on the Group's consolidated financial statements.

3. REVENUE

The amount represents the following revenue recognised during the year:

	2025 HK\$'000	2024 HK\$'000
Income from godown operations (<i>note a</i>)	15,808	17,284
Income from property investment (<i>note b</i>)	110,930	111,811
Dividend income from listed and unlisted investments	6,300	3,275
Bank interest income	41,309	43,199
Other interest income	3,115	1,623
	<u>177,462</u>	<u>177,192</u>

Notes:

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

	2025 HK\$'000	2024 HK\$'000
Income from godown operations		
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	1,297	1,101
Transportation and other income (recognised at a point in time)	1,503	1,371
Storage service income (recognised over time)	13,008	14,812
	<u>15,808</u>	<u>17,284</u>
Geographical market:		
Hong Kong	<u>15,808</u>	<u>17,284</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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
For operating leases:		
Lease payments that are fixed income from property investment	<u>110,930</u>	<u>111,811</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 2025

	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>15,808</u>	<u>110,930</u>	<u>50,724</u>	<u>177,462</u>
Segment (loss) profit	<u>(1,232)</u>	<u>(332,807)</u>	<u>85,381</u>	(248,658)
Central administrative costs				<u>(6,477)</u>
Loss before taxation				<u>(255,135)</u>

	Godown investment HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Assets				
Segment assets	129,092	2,473,364	1,124,751	3,727,207
Bank balances and cash				18,961
Unallocated other assets				1,113
				<u>3,747,281</u>
Consolidated total assets				<u>3,747,281</u>
Liabilities				
Segment liabilities	2,399	44,399	111	46,909
Tax payable				18,166
Deferred tax liabilities				89,080
Unallocated other liabilities				9,306
				<u>163,461</u>
Consolidated total liabilities				<u>163,461</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	123	19,970	22	20,115
Depreciation of property, plant and equipment	17,060	4,701	117	21,878
Fair value gain on financial assets at FVTPL	–	–	33,140	33,140
	<u>–</u>	<u>–</u>	<u>33,140</u>	<u>33,140</u>

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>	<u>(102,167)</u>
Central administrative costs				<u>(7,603)</u>
Loss before taxation				<u>(109,770)</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	152,349	2,847,607	1,026,884	4,026,840
Bank balances and cash				18,281
Unallocated other assets				802
				<hr/>
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				10,324
				<hr/>
Consolidated total liabilities				<u>166,219</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	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
	<hr/>	<hr/>	<hr/>	<hr/>

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 2025 and 2024.

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

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,288	1,247
– non-audit services	602	595
Gross rental income from investment properties	(110,930)	(111,811)
Less: direct operating expenses for investment properties that generated rental income during the year	15,038	19,571
direct operating expenses for investment properties that did not generate rental income during the year	866	925
	<u> </u>	<u> </u>
Net rental income	(95,026)	(91,315)
Fair value (gain) loss on financial assets at FVTPL (<i>note</i>)	(33,140)	2,745
	<u> </u>	<u> </u>

Note: Amount included in other gains and losses.

6. TAXATION

	2025 HK\$'000	2024 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	8,860	9,930
Under/(over) provision in prior years	<u>101</u>	<u>(119)</u>
	8,961	9,811
Deferred taxation		
Current year	<u>1,413</u>	<u>3,068</u>
	<u><u>10,374</u></u>	<u><u>12,879</u></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

	2025 HK\$'000	2024 HK\$'000
Interim dividend appropriation/paid in respect of 2025 – HK3 cents (2024: HK2.5 cents) per ordinary share	12,150	10,125
Final dividend appropriation/paid in respect of 2024 – HK4.5 cents (2023: HK3 cents) per ordinary share	<u>18,225</u>	<u>12,150</u>
	<u><u>30,375</u></u>	<u><u>22,275</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2025 of HK5 (2024: HK4.5) cents per share, in aggregate amounting to HK\$20,250,000 (2024: HK\$18,225,000) 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\$265,509,000 (2024: HK\$122,649,000) and on 405,000,000 (2024: 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:

	2025 <i>HK\$'000</i>	2024 <i>HK\$'000</i>
Trade receivables		
Within 60 days	4,771	4,624
61 – 90 days	1,239	215
Over 90 days	68	234
	<u>6,078</u>	<u>5,073</u>
Other receivables, net of allowance for credit loss	4,305	6,107
Deferred lease receivables	4,897	6,262
Prepayments	801	474
Deposits	689	1,214
	<u>16,770</u>	<u>19,130</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 '000	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2023, 31 March 2024 and 31 March 2025	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 HK5 cents (2024: HK4.5 cents) per share, amounting to HK\$20,250,000 (2024: HK\$18,225,000) for the year ended 31 March 2025 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 2025 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the “AGM”) on 15 August 2025. The proposed final dividend will be dispatched to the Shareholders on 17 September 2025.

Together with the interim dividend of HK3 cents per share already paid on 15 January 2025, the total distribution for the year will amount to HK8 cents (2024: HK7 cents) per share.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on Friday, 15 August 2025. 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, 12 August 2025 to Friday, 15 August 2025, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 August 2025.

To ascertain the Shareholders’ entitlement to the proposed final dividend, the Register of Members will be closed from Thursday, 28 August 2025 to Tuesday, 2 September 2025, 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 Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 27 August 2025.

BUSINESS REVIEW

During the year, the loss attributable to the Shareholders was approximately HK\$265,509,000, representing an increase of HK\$142,860,000 as compared with a loss of HK\$122,649,000 for the corresponding year in 2024. The revenue was HK\$177,462,000, which was comparable to HK\$177,192,000 of last year. The loss per share increased from HK\$0.30 to HK\$0.66. Excluding the fair value loss on investment properties, the Group's core earnings before taxation (non-HKFRS financial measures) increased from HK\$96,986,000 to HK\$140,178,000. The loss before taxation recorded HK\$255,135,000 (2024: loss of HK\$109,770,000), representing an increase of 132%.

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 11,000 cubic meters last year to approximately 9,400 cubic meters for the year, which was rather disappointing. However, in response to changes in the business environment, the Group reduced the storage area for the godown business, enabling it to maintain an average storage rate of approximately 56% for the year. As a result, revenue of the segment for the year dropped by HK\$1,476,000 to HK\$15,808,000 (2024: HK\$17,284,000), with a loss of HK\$1,232,000 (2024: loss of HK\$2,042,000) recorded by the segment. Average storage rent per cubic meter for the year rose by 6% compared to last year.

Property investment segment

During the year, income from property investment decreased by HK\$881,000 to HK\$110,930,000 (2024: HK\$111,811,000) and the segment profit (excluding fair value loss on investment properties) amounted to HK\$62,506,000 (2024: HK\$62,378,000), which was comparable to last year.

The rental revenue generated from Lu Plaza which is the major investment property of the Group decreased by HK\$2,218,000 to HK\$74,909,000 (2024: HK\$77,127,000). The average occupancy rate declined by 3% to 86% (2024: 89%). 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 overall.

Rental revenue generated from the industrial and godown (including car parks) properties recorded a slight increase, mainly due to the additional godown properties leased last year recording a full-year rental income during the year.

The profit of property investment segment remained flat. This was mainly attributable to lower property-related expenses. While the Company adopted cost-saving measures, it endeavoured to ensure the service level, as well as the quality and competitiveness of the facilities of its properties.

The fair value of investment properties was further decreased by HK\$395,313,000 during the year, as market confidence in the investments of real estate 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

During the year, the revenue of the treasury investment segment increased to HK\$50,724,000 (2024: HK\$48,097,000) while the profit rose significantly to HK\$85,381,000 (2024: HK\$44,253,000).

The rebound of the stock market during the year, and the relatively high level of interest rate during the year which resulted in a relatively stable interest income from deposits, have led to a better performance of the treasury investment segment.

OUTLOOK

Godown operations segment

Northbound spending has now become commonplace for Hong Kong residents and there has been no significant recovery in the local consumer market. Moreover, a number of catering and retail groups have ceased their operations recently. Despite the resources invested in customer acquisition, the results have not been delivered. Therefore, the Group remains hesitant about the godown operations segment for the coming year.

Property investment segment

According to *Hong Kong Property Review 2025* recently published by the Rating and Valuation Department of the Government of the Hong Kong Special Administrative Region, the overall office vacancy rate in Hong Kong remained high at 16.3%. This has undoubtedly posed a great challenge to the leasing of Lu Plaza. Since the outbreak of the COVID-19 pandemic in 2020, there have been tremendous changes in the business operation model around the world, with more businesses adopting the flexible model of working from home and connecting via video and electronic communication, which has led to a reduction in demand for office space. Market absorption has remained at a low level after the outbreak of the pandemic, causing the increased vacancy rate to linger on a higher side. It is anticipated that there will still be a considerable downward pressure on occupancy rate and rent levels in the foreseeable future, which is expected to improve only when the supply and demand of the office market in Hong Kong become stabilised.

Since 2009, Hong Kong's commercial property values (office and retail) had risen steadily for a decade due to the booming economy and low interest rate environment. The prevailing economic headwinds, along with consistently high interest rates and geopolitical concerns, have prompted financial institutions to adopt conservative lending policies. Thus, the outlook of prices for the office market will not be promising enough in the foreseeable future.

Treasury investment segment

As at 31 March 2025, the Group had HK\$824,299,000 in cash, bank balances and deposits. The management will continue to prudently monitor the ongoing developments in the market environment in order to decide the next step of investment.

The recent sharp decline in the interest rate in Hong Kong dollars will inevitably have a negative impact on the Group's interest and income generated from other fixed income instruments and securities in the coming year. The current uncertainties in the global financial markets and international geopolitics, especially the market fluctuations in investments and exchange rates caused by the impact of tariffs and trade wars, have exacerbated the instability of investment returns.

REVIEW OF FINANCIAL RESULTS

Financial overview

The Company recorded a loss attributable to the Shareholders of HK\$265,509,000 (2024: loss of HK\$122,649,000) for the year. By excluding the fair value loss on investment properties of HK\$395,313,000 (2024: loss of HK\$206,756,000) and the loss on disposal of property, plant, and equipment of HK\$8,000 (2024: loss of HK\$1,000), the company's core earnings after taxation (a non-HKFRS financial measure) increased by 54% to HK\$129,812,000 (2024: HK\$84,108,000). Total revenue for the year remained at HK\$177,462,000, which was comparable to the previous year.

During the year, total dividends of HK\$30,375,000 (2024: HK\$22,275,000) were appropriated. As at 31 March 2025, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$3,583,820,000 (31 March 2024: HK\$3,879,704,000) and HK\$8.85 (31 March 2024: HK\$9.58), respectively. The loss per share for the year was HK\$0.66 (2024: loss of HK\$0.30).

Godown operations segment

During the year, the revenue decreased by approximately 9% to HK\$15,808,000 (2024: HK\$17,284,000), and a loss of HK\$1,232,000 (2024: loss of HK\$2,042,000) was recorded, though the loss narrowed compared to the previous year.

Affected by reducing demand for warehousing and market challenges, the Group streamlined its warehouse operations by reducing storage capacity to enhance resource efficiency. The average utilization rate for the year was approximately 56% (based on a maximum average capacity of 16,200 cubic meters) (2024: approximately 58%, based on a maximum average capacity of 19,400 cubic meters). Additionally, the average storage fee per cubic meter increased by 6% year-on-year, mainly driven by higher turnover of goods.

Property investment segment

During the year, total rental income amounted to HK\$110,930,000 (2024: HK\$111,811,000), while the profit excluding fair value losses on investment properties (non-HKFRS financial measure) was HK\$62,506,000 (2024: HK\$62,378,000), both comparable to the previous year.

The rental revenue generated from Lu Plaza, which is the major investment property of the Group, amounted to HK\$74,909,000 (2024: HK\$77,127,000). During the year, the average occupancy rate at Lu Plaza declined to 86% (2024: 89%). Both rental income and average occupancy rate showed a slight downturn, reflecting the continued weakness in office market and pressure on rent upon lease renewal. Although tenants provided positive feedback on the building's facilities, the overall market environment still impacted leasing performance and occupancy rates.

As at 31 March 2025, the fair value of the Group's investment properties was HK\$2,442,800,000 (31 March 2024: HK\$2,812,400,000), based on the unrealised fair value loss of HK\$395,313,000 recognised in the profit and loss of the year (2024: loss of HK\$206,756,000). The decline in fair value was primarily driven by high interest rates and a sluggish market, reflecting the confidence in Hong Kong's real estate sector has yet to be recovered.

Treasury investment segment

The revenue increased by 5% to HK\$50,724,000 (2024: HK\$48,097,000), while the profit surged 93% to HK\$85,381,000 (2024: HK\$44,253,000). This included a realised gain of HK\$5,982,000 (2024: HK\$306,000) and an unrealised gain of HK\$27,158,000 (2024: loss of HK\$3,051,000) from financial assets at fair value through profit or loss ("FVTPL"). The segment profit increased by 93% compared to last year, primarily benefiting from the rise in the fair value of financial assets at FVTPL and an increase in dividend income.

As at 31 March 2025, the value of financial assets at FVTPL stood at HK\$316,994,000 (2024: HK\$175,577,000), representing a year-on-year increase of 81%. In addition to the rise in fair value, the growth was mainly driven by the addition of HK\$113,117,000 listed investment funds during the year.

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 2025, the Group's foreign exchange risk was minimal.

OPERATING COSTS

During the year, overall costs declined, reflecting prudent resource management and effective cost control strategies. Staff costs dropped by 7% to HK\$20,728,000 (2024: HK\$22,215,000), mainly due to reductions in provision for long service payment and bonus adjustments. Depreciation amounted to HK\$21,878,000 (2024: HK\$23,699,000), down approximately 8% from the previous year. Other operating and administrative costs fell by 6% to HK\$28,384,000 (2024: HK\$30,278,000), partly due to a reduction in property management fee subsidy expenses and a decrease in leasing commission, compared to higher expenses incurred last year for larger leased areas. However, treasury investment-related expenses increased, primarily driven by increased investments. On the whole, the decline in costs reflects improved operational efficiency and further optimization of resource allocation.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continues to adopt a prudent financial management policy while maintaining a strong cash position. As at 31 March 2025, the total amount of bank and other deposits, along with cash and bank balances, stood at HK\$824,299,000 (2024: HK\$865,397,000), primarily in Hong Kong dollars or United States dollars. Sufficient cash reserves provide stability during market fluctuations and offer greater flexibility for potential investment opportunities in the future. The Group possesses robust financial resources to sustain its daily operations.

The Group primarily financed its operations through cash reserves and cash flows generated from business activities. During the year, the recurring net cash inflow from operating cash flows before movements in working capital, amounted to HK\$134,754,000 (2024: HK\$124,735,000), reflecting an 8% year-on-year increase. As at 31 March 2025, net current assets amounted HK\$1,104,335,000 (31 March 2024: HK\$998,198,000), with a liquidity ratio (total current assets divided by total current liabilities) rising to 21.4 times (31 March 2024: 17.1 times).

During the year, the Group had no loans or borrowings, maintaining a zero gearing ratio. As at 31 March 2025, the Group's net asset value stood at HK\$3,583,820,000 (31 March 2024: HK\$3,879,704,000).

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, distributed by the Company during the year amounted to HK\$30,375,000 (2024: HK\$22,275,000).

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 2025, the Group employed 36 (31 March 2024: 38) employees. Total staff cost was HK\$20,728,000 (2024: HK\$22,215,000). 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 maintains 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 2025, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2025, 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 shares (including sale of treasury shares, if any) 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 2025 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, Ms. Lu Wing Man, Melissa, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 19 August 2024 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 2025.

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 2025 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 2025. 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 2025 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 2025

As at the date of this announcement, the Board comprises six Directors, of which Mr. Lu Wing Yee, Wayne and Ms. Lu Wing Man, Melissa as Executive Directors; Mr. Lee Ka Sze, Carmelo as Non-executive Director; Mr. Lam Ming Leung, Mr. Leung Man Chiu, Lawrence and Mr. Wong Wilkie as Independent Non-executive Directors.