



Interim Report  
2019/20

安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code 股份代號: 237)

## **CORPORATE RESULTS**

For the six months ended 30 September 2019 (the “Period”), Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded loss attributable to owners of HK\$33,060,000 (six months ended 30 September 2018: profit of HK\$155,703,000), representing a decrease of approximately 121.2% as compared with the corresponding period in 2018. Total revenue increased by approximately 4.5% from HK\$69,465,000 to HK\$72,558,000 arising from an increase in income from property investment. Earnings per share for the Period decreased by approximately 120.9% from a profit of HK\$1.15 to a loss of HK\$0.24.

The Group’s net profit excluding fair value loss on investment properties increased by approximately 36.8% to HK\$33,840,000.

Total comprehensive income for the Period attributable to shareholders decreased by approximately 85.9% to HK\$37,613,000 (six months ended 30 September 2018: HK\$265,824,000). The Group’s net loss before taxation and net loss after taxation recorded HK\$26,015,000 (six months ended 30 September 2018: profit of HK\$162,952,000) and HK\$33,060,000 (six months ended 30 September 2018: profit of HK\$155,703,000), representing a decrease of 116.0% and 121.2%, respectively.

## **INTERIM DIVIDEND**

Given the underperforming interim results for the Period, the board of directors of the Company (the “Board”) decided to reduce the amount of the interim dividend per share. The Board declared an interim dividend of HK8 cents per share for the Period (2018: HK28 cents per share) payable to the shareholders of the Company, whose names appear on the register of members on 23 December 2019. The interim dividend will be paid on 10 January 2020.

## **BUSINESS REVIEW**

During the Period under review, the economy and commercial activities in Hong Kong have been adversely impacted by the recent widespread social protests and unrests. As a result of the escalation of the ongoing trade conflict between the US and China and the uncertainty of Brexit, the weaker performance of the global economy suppressed the office leasing demand and rents in Hong Kong. The Group’s existing tenants and customers became more cautious at the time of negotiating lease renewals whilst the potential tenants and customers adopted a highly prudent attitude towards lease terms and rents.

### **Godown Operations Segment**

Revenue generated from godown operations in the Period decreased approximately 3.3% to HK\$11,394,000 (six months ended 30 September 2018: HK\$11,786,000). The profit of godown operations segment fell approximately 27.4% to HK\$3,183,000 (six months ended 30 September 2018: HK\$4,384,000). Average warehouse rent per cubic meter decreased from HK\$77 for the six months ended 30 September 2018 to HK\$74 during the Period under review, whilst the average occupancy rate increased from approximately 66% for the six months ended 30 September 2018 (if based on the reduced total storage capacity of 31,100 cubic meters of the Period, the average occupancy rate was 69%) to 72% during the Period under review.

## **BUSINESS REVIEW (continued)**

### **Property Investment Segment**

Whilst the rental income of Lu Plaza recorded an increase, the occupancy rate dropped slightly. The average occupancy rate of Lu Plaza during the Period maintained at approximately 84.8%. As a half storey of the Kwai Chung Safety Godown had been leased out in May this year, the total rental income and net profit from investment properties increased approximately 6.4% to HK\$48,364,000 (six months ended 30 September 2018: HK\$45,467,000) and decreased by approximately 4.3% to HK\$32,425,000 (six months ended 30 September 2018: HK\$33,868,000), respectively. The decrease in segment profit was attributable to the increase in the subsidies of management fees for the Lu Plaza and Kwai Chung Safety Godown.

### **Treasury Investment Segment**

Revenue from treasury investment increased by approximately 4.8% to HK\$12,800,000 (six months ended 30 September 2018: HK\$12,212,000). The segment profit increased approximately 438.5% to HK\$9,410,000 (six months ended 30 September 2018: loss of HK\$2,780,000) which was mainly attributable to the increase in interest income.

## **OUTLOOK**

The economic outlook for 2020 will continue to be sluggish with the economic and socio-political challenges including the ongoing trade conflict between the US and China, Brexit and persistent protests in Hong Kong. The office leasing activity and demand in Hong Kong will be impacted as the corporate tenants tend to hold wait-and-see attitude towards leasing decisions. Coupled with the abundant volume of new supply of office space in Kowloon East, the upside for rent growth potential will be limited. As a result, the rental growth will be subdued and the negotiation process for new lease or renewal is required to take longer. Therefore, the Group has adopted a more flexible approach in response to the current office rental market sentiment. Starting from July 2019, the occupancy and turnover rate of the godown operations segment had consistently declined. The overall situation exacerbated after October. Should the present socio-political unrest in Hong Kong persist, the financial results for the second half of the 2019/20 is expected to remain subdued.

The Board would like to take this opportunity to express its gratitude to all staff and stakeholders including tenants and customers for their support to the Group. The Group will continue to exercise cautious risk management and internal controls in relation to its business management and development so as to maximise the return to the shareholders.

## **FINANCIAL REVIEW**

### **Condensed consolidated statement of profit or loss and other comprehensive income**

During the Period, the Company's total revenue reached HK\$72,558,000, including income from property investment segment of HK\$48,364,000, income from godown operations segment of HK\$11,394,000, and income from treasury investment segment of HK\$12,800,000 in total, comprising interest income of HK\$10,455,000 and dividend income of HK\$2,345,000. The revenue of the three segments increased approximately 6.4%, decreased approximately 3.3%, and increased approximately 4.8%, respectively comparing to the last corresponding period.

Staff costs rose 10.9% to HK\$7,639,000 (six months ended 30 September 2018: HK\$6,891,000) arising from the new recruitments and increase of provision for performance based bonuses.

Depreciation of property, plant and equipment increased because the original rental godown property was converted into self-operated godown use, thus incurring additional depreciation and resulting in a rise to HK\$9,478,000 (six months ended 30 September 2018: HK\$8,046,000).

Other expenses rose to HK\$12,859,000 (six months ended 30 September 2018: HK\$10,057,000) mainly because of the increase in the property management fees, subsidies of management fees for the property management company and treasury investment related expenses.

### **Condensed consolidated statement of financial position**

The Company's net asset value stood at HK\$4,789,722,000, mainly comprising HK\$3,592,600,000 of investment properties, HK\$226,903,000 of fixed assets (mainly the Safety Godown's self-operated property), and current assets, including deposits and financial investment, etc..

The carrying amount of the investment properties decreased as a result of a downward adjustment in their fair value with reference to valuations carried out by independent professional valuers and by the Directors on an open market basis as at 30 September 2019.

There were no significant changes in the total amount of other financial assets when compared with that on 31 March 2019, cash and deposits (including those deposits in the investment accounts) decreased by 14.2% to HK\$737,518,000 (31 March 2019: HK\$859,275,000).

During the Period, the Group recorded a fair value loss on investment properties of HK\$66,900,000 (six months ended 30 September 2018: gain of HK\$130,973,000) which had been included in the condensed consolidated statement of profit or loss and other comprehensive income. In addition, certain fixed assets had been transferred to investment properties for rental income purposes. The accumulated fair value gain up to the date of such transfer in the amount of HK\$70,673,000 was recognised in property revaluation reserve and other comprehensive income.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2019, the Group had cash and bank balances of HK\$737,518,000 (31 March 2019: HK\$859,275,000) and the total current liabilities amounted to HK\$54,740,000 (31 March 2019: HK\$52,584,000). Current ratio stood at approximately 20.33 times (31 March 2019: 22.34 times) and the Group had no bank borrowings.

Net assets of the Group recorded lower by approximately 2% to HK\$4,789,722,000 (31 March 2019: HK\$4,887,109,000) and the net asset value per share decreased to HK\$35.48 (31 March 2019: HK\$36.20) per share.

## **EMPLOYEES**

As at 30 September 2019, the Group had a total of 37 (31 March 2019: 37) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. During the Period, staff costs (including Directors' emoluments) increased by approximately 10.9% to HK\$7,639,000 (six months ended 30 September 2018: HK\$6,891,000).

The Group's remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also offers suitable trainings to staff and provides bonuses based on the staff performance and results of the Group. The Group has not adopted any share option scheme for employees.

## **EXPOSURE TO FOREIGN EXCHANGE**

The Group's foreign currency exposure principally related to its investment in US dollar securities and deposits. Since the Hong Kong dollar is pegged to the US dollar, the management is of the opinion that the foreign exchange risk of financial instruments denominated in US dollar is insignificant. During the Period, the Group recorded no exchange gain or loss (six months ended 30 September 2018: exchange loss of HK\$4,488,000).

## **CONTINGENT LIABILITIES**

As at 30 September 2019, the Group did not have any significant contingent liabilities (31 March 2019: nil).

## **PLEDGE OF ASSETS**

As at 30 September 2019, the Group did not have any pledge of assets (31 March 2019: nil).

## DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2019, the interests of the Directors of the Company and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Personal interests	Number of issued shares of the Company held (long position)			Total interests	Percentage of issued shares of the Company <sup>3</sup>
		Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	9,410,420	–	23,440 <sup>1</sup>	4,400,000 <sup>2</sup>	13,833,860	10.25%
Mr. Lam Ming Leung	10,000	–	–	–	10,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares held by a company, which was 100% controlled by himself.
2. Mr. Lu Wing Yee, Wayne was deemed to be interested jointly with Ms. Chan Koon Fung in these 4,400,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 135,000,000 shares in issue as at 30 September 2019.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO as at 30 September 2019.

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2019, according to the record in the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO, other than the interests of certain Directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued shares of the Company:

Name of substantial shareholders	Capacity	Number of issued shares held		Percentage of issued shares of the Company <sup>3</sup>
		Direct Interest	Indirect Interest	
Kian Nan Financial Limited	Beneficial interest	49,203,445	–	36.45%
Earngold Limited	Beneficial interest	10,350,000	–	7.67%
Chelton Trading Limited	Interest of controlled corporation	–	10,350,000 <sup>1</sup>	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	10,350,000 <sup>1</sup>	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	2,989,500	69,953,106 <sup>2</sup>	54.03%

## **SUBSTANTIAL SHAREHOLDERS (continued)**

*Notes:*

1. The shares were held by Earngold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Earngold Limited and, therefore, they were taken to be interested in 10,350,000 shares held by Earngold Limited.
2. Among these 69,953,106 shares, (a) Ms. Chan Koon Fung was taken to be interested in 10,350,000 shares through Earngold Limited which was held by Chelton Trading Limited (directly owned 50%) and Gladiator Investments Co. (directly owned 50%), in both of which Ms. Chan directly owned 50%; (b) she was taken to be interested in 49,203,445 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 5,999,661 shares which were held by Lusin And Company Limited, in which Ms. Chan owned 38.75% and (d) she was taken to be interested jointly with Mr. Lu Wing Yee, Wayne in 4,400,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 135,000,000 shares in issue as at 30 September 2019.

Other than as disclosed above, at 30 September 2019, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued shares of the Company.

## **CLOSURE OF MEMBERS REGISTER**

The Register of Members of the Company will be closed from Thursday, 19 December 2019 to Monday, 23 December 2019, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 18 December 2019.

## **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 during the Period under review.

## **REVIEW OF RESULTS**

The Group's condensed consolidated financial statements for the six months ended 30 September 2019 have not been audited but have been reviewed by Deloitte Touche Tohmatsu ("DTT"), Certified Public Accountants, the external independent auditor of the Company, whose review report is contained on page 9 of this interim report.

The Audit Committee has reviewed with the management and DTT the Company's unaudited consolidated financial statements and interim report for the Period, including the accounting policies and practices adopted by the Group.

## **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 operation and development. Effective corporate governance provides integrity, transparency, 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 (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the six months ended 30 September 2019 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

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

Since 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this interim report. 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 while with the assistance of the senior management, Executive Director continues to monitor the business and operation of the Group.

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

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

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 16 August 2019 in accordance with the Articles.

## **CORPORATE GOVERNANCE PRACTICES (continued)**

CG Code Provision F.1.3 stipulates that the company secretary should report to the Chairman of the Board and/or the chief executive. As the positions of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reports to the Executive Director of the Company.

The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manners.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct governing dealing by all directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2019.

## **CHANGES IN DIRECTORS’ INFORMATION**

Change in Directors’ information since the date of approval of the 2019 annual report of the Company, which is required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules, is set out below:

Mr. Lee Ka Sze, Carmelo, Non-executive Director, was appointed as a chairman of the Listing Review Committee of the Stock Exchange with effect from 5 July 2019. Besides, he retired as non-executive director of Termbray Industries International (Holdings) Limited, a company listed on the Stock Exchange (Stock Code: 00093), with effect from 13 September 2019. Moreover, he was appointed as a non-executive director of Playmates Holdings Limited, a company listed on the Stock Exchange (Stock Code: 00635), with effect from 5 November 2019.

Mr Leung Man Chiu, Lawrence, Independent Non-executive Director, was appointed as a non-executive director of World Super Holdings Limited (“World Super”) on 26 April 2017. The shares of World Super were listed on the Stock Exchange (Stock Code: 08612) on 12 July 2019.

Save as disclosed above, there is no other change in the Directors’ information required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules since the date of the 2019 annual report of the Company.

**Lu Wing Yee, Wayne**  
*Executive Director*

Hong Kong  
27 November 2019

**REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
TO THE BOARD OF DIRECTORS OF SAFETY GODOWN COMPANY, LIMITED**  
*(incorporated in Hong Kong with limited liability)*

**INTRODUCTION**

We have reviewed the condensed consolidated financial statements of Safety Godown Company, Limited (the “Company”) and its subsidiaries set out on pages 10 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

**SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
27 November 2019

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 September 2019*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2019</b>	<b>30.9.2018</b>
		(unaudited) <i>HK\$ '000</i>	(unaudited) <i>HK\$ '000</i>
Revenue	3	<u>72,558</u>	<u>69,465</u>
Income from godown operations		11,394	11,786
Income from property investment		48,364	45,467
Interest income		10,455	7,447
Dividend income		2,345	4,765
Other gains and losses		(1,697)	(8,004)
Exchange loss, net		–	(4,488)
(Decrease) increase in fair value of investment properties		(66,900)	130,973
Staff costs		(7,639)	(6,891)
Depreciation of property, plant and equipment		(9,478)	(8,046)
Other expenses		<u>(12,859)</u>	<u>(10,057)</u>
(Loss) profit before taxation	5	(26,015)	162,952
Taxation	6	<u>(7,045)</u>	<u>(7,249)</u>
(Loss) profit for the period attributable to owners of the Company		<u>(33,060)</u>	<u>155,703</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owner-occupied properties to investment properties at fair value		<u>70,673</u>	<u>110,121</u>
Other comprehensive income for the period		<u>70,673</u>	<u>110,121</u>
Total comprehensive income for the period attributable to owners of the Company		<u>37,613</u>	<u>265,824</u>
(Loss) earnings per share – Basic	8	<u>(HK\$0.24)</u>	<u>HK\$1.15</u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 30 September 2019*

	<i>Notes</i>	<b>30.9.2019</b> (unaudited) <i>HK\$ '000</i>	<b>31.3.2019</b> (audited) <i>HK\$ '000</i>
<b>Non-current assets</b>			
Investment properties	<i>9</i>	3,592,600	3,635,100
Property, plant and equipment	<i>10</i>	226,903	188,980
Debt instrument at amortised cost		–	23,244
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		3,819,503	3,847,324
<b>Current assets</b>			
Investments held for trading		321,109	292,744
Debt instrument at amortised cost		23,246	–
Trade and other receivables	<i>11</i>	31,111	22,775
Bank deposits		651,602	757,584
Other deposits		65,082	84,150
Bank balances and cash		20,834	17,541
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		1,112,984	1,174,794
<b>Current liabilities</b>			
Other payables		31,211	32,249
Tax payable		23,529	20,335
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		54,740	52,584
<b>Net current assets</b>			
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		1,058,244	1,122,210
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		4,877,747	4,969,534
<b>Capital and reserves</b>			
Share capital	<i>12</i>	178,216	178,216
Reserves		4,611,506	4,708,893
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
<b>Equity attributable to owners of the Company</b>		4,789,722	4,887,109
<b>Non-current liabilities</b>			
Long-term tenants' deposits received		19,098	15,662
Deferred tax liabilities		68,349	66,185
Provision for long service payments		578	578
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		88,025	82,425
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
		4,877,747	4,969,534
		<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2019

	Share capital HK\$ '000	Property revaluation reserve HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
At 1 April 2018 (audited)	178,216	293,913	4,101,417	4,573,546
Profit for the period	–	–	155,703	155,703
Other comprehensive income for the period	–	110,121	–	110,121
Total comprehensive income for the period	–	110,121	155,703	265,824
Dividends paid (note 7)	–	–	(37,800)	(37,800)
At 30 September 2018 (unaudited)	<u>178,216</u>	<u>404,034</u>	<u>4,219,320</u>	<u>4,801,570</u>
At 1 April 2019 (audited)	<u>178,216</u>	<u>404,034</u>	<u>4,304,859</u>	<u>4,887,109</u>
Loss for the period	–	–	(33,060)	(33,060)
Other comprehensive income for the period	–	70,673	–	70,673
Total comprehensive income for the period	–	70,673	(33,060)	37,613
Dividends paid (note 7)	–	–	(135,000)	(135,000)
At 30 September 2019 (unaudited)	<u>178,216</u>	<u>474,707</u>	<u>4,136,799</u>	<u>4,789,722</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2019

	Six months ended	
	30.9.2019	30.9.2018
	(unaudited)	(unaudited)
	HK\$ '000	HK\$ '000
<b>Operating activities</b>		
(Loss) profit before taxation	(26,015)	162,952
Adjustments for:		
Fair value loss on investments held for trading	1,728	8,256
Gain on disposal of property, plant and equipment	(8)	–
Decrease (increase) in fair value of investment properties	66,900	(130,973)
Exchange gain on debt instrument at amortised cost	(2)	(1)
Depreciation of property, plant and equipment	9,478	8,046
Operating cash flows before movements in working capital	52,081	48,280
(Increase) decrease in investments held for trading	(30,093)	57,347
Other movements in working capital	(5,938)	3,175
Cash generated from operations	16,050	108,802
Income taxes paid	(1,687)	–
<b>Net cash from operation activities</b>	<b>14,363</b>	<b>108,802</b>
<b>Investing activities</b>		
Withdrawal of bank deposits	574,505	979,508
Additions of bank deposits	(468,523)	(1,370,340)
Withdrawal of other deposits	234,613	333,135
Additions of other deposits	(215,545)	(126,883)
Additions of investment properties	–	(13,027)
Purchase of property, plant and equipment	(1,128)	(3,013)
Proceeds from disposal of property, plant and equipment	8	–
<b>Net cash from (used in) investing activities</b>	<b>123,930</b>	<b>(200,620)</b>
<b>Cash used in a financing activity</b>		
Dividends paid	(135,000)	(37,800)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>3,293</b>	<b>(129,618)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>17,541</b>	<b>181,170</b>
<b>Cash and cash equivalents at end of the period,</b> represented by bank balances and cash	<b>20,834</b>	<b>51,552</b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2019

## 1. BASIS OF PREPARATION

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

The financial information relating to the period ended 31 March 2019 that is included in these condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 March 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2019 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2019.

### Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatorily effective for the annual period beginning on or after 1 April 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Investments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases”

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 “Leases” and the related interpretations.

#### 2.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

##### **Definition of a lease**

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### **As a lessor**

###### Allocation of consideration to components of a contract

Effective on 1 April 2019, the Group applies HKFRS 15 “Revenue from Contracts with Customers” (“HKFRS 15”) to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

###### Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 “Financial Instruments” and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

###### Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16

##### **Definition of a lease**

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 “*Determining whether an Arrangement contains a Lease*” and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 Impacts and changes in accounting policies of application on HKFRS 16 “Leases” (continued)

#### 2.1.2 Transition and summary of effects arising from initial application of HKFRS 16 (continued)

##### As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

- (a) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group’s condensed consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets and were adjusted to reflect the discounting effect at transition. The amount of such adjustments are considered insignificant.
- (c) Effective on 1 April 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

Based on the assessment by the directors of the Company, the transition to HKFRS 16 as a lessor had no material impact on the Group’s condensed consolidated financial statements as at 1 April 2019.

### 3. REVENUE

	<b>Six months ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Income from godown operations ( <i>note a</i> )	11,394	11,786
Income from property investment	48,364	45,467
Dividend income from listed investments	2,345	4,765
Bank interest income	9,515	6,834
Other interest income	940	613
	<u>72,558</u>	<u>69,465</u>

*Notes:*

- (a) Total income from godown operations

	<b>Six months ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
Inward and outward coolie income	1,019	1,530
Transportation income and other income	280	254
Storage rental income	10,095	10,002
<b>Total income from godown operations</b>	<u>11,394</u>	<u>11,786</u>

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

	<b>Six months ended</b>	
	<b>30.9.2019</b>	<b>30.9.2018</b>
	<i>HK\$ '000</i>	<i>HK\$ '000</i>
<b>Types of goods or services</b>		
(time of revenue recognition):		
Inward and outward coolie income		
(recognised at a point in time)	1,019	1,530
Transportation income and other income		
(recognised at a point in time)	280	254
	<u>1,299</u>	<u>1,784</u>
<b>Geographical market:</b>		
Hong Kong	<u>1,299</u>	<u>1,784</u>

#### 4. SEGMENT INFORMATION

The Group's operating and reportable segments, based on information 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 are as follows:

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

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

##### For the six months ended 30 September 2019

	Godown operations <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i>	Treasury investment <i>HK\$ '000</i>	Segments total <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
<b>Revenue</b>					
Segment revenue	<u>11,394</u>	<u>48,364</u>	<u>12,800</u>	<u>72,558</u>	<u>72,558</u>
Segment profit	<u>3,183</u>	<u>32,425</u>	<u>9,410</u>	<u>45,018</u>	45,018
Decrease in fair value of investment properties					(66,900)
Central administrative costs					<u>(4,133)</u>
Loss before taxation					<u>(26,015)</u>

##### For the six months ended 30 September 2018

	Godown operations <i>HK\$ '000</i>	Property investment <i>HK\$ '000</i>	Treasury investment <i>HK\$ '000</i>	Segments total <i>HK\$ '000</i>	Consolidated <i>HK\$ '000</i>
<b>Revenue</b>					
Segment revenue	<u>11,786</u>	<u>45,467</u>	<u>12,212</u>	<u>69,465</u>	<u>69,465</u>
Segment profit (loss)	<u>4,384</u>	<u>33,868</u>	<u>(2,780)</u>	<u>35,472</u>	35,472
Increase in fair value of investment properties					130,973
Central administrative costs					<u>(3,493)</u>
Profit before taxation					<u>162,952</u>

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

#### 4. SEGMENT INFORMATION (continued)

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

	<b>30.9.2019</b> <i>HK\$'000</i>	<b>31.3.2019</b> <i>HK\$'000</i>
Godown operations	167,050	175,720
Property investment	3,677,103	3,665,746
Treasury investment	1,065,236	1,160,852
Total segment assets	<u>4,909,389</u>	<u>5,002,318</u>
Godown operations	2,631	2,580
Property investment	39,430	37,149
Treasury investment	52	171
Total segment liabilities	<u>42,113</u>	<u>39,900</u>

#### 5. (LOSS) PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2019</b> <i>HK\$'000</i>	<b>30.9.2018</b> <i>HK\$'000</i>
(Loss) profit before taxation has been arrived at after charging:		
Exchange loss, net	–	4,488
Fair value loss on investments held for trading ( <i>note</i> )	<u>1,728</u>	<u>8,256</u>

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

#### 6. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2019</b> <i>HK\$'000</i>	<b>30.9.2018</b> <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	4,881	5,044
Deferred taxation	<u>2,164</u>	<u>2,205</u>
	<u>7,045</u>	<u>7,249</u>

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

## 7. DIVIDENDS

	Six months ended	
	30.9.2019	30.9.2018
	HK\$ '000	HK\$ '000
Dividends paid:		
Final dividend paid in respect of the year ended		
31 March 2019 of HK12 cents (2018: HK28 cents)		
per ordinary share	16,200	37,800
Special dividend paid in respect of the year ended		
31 March 2019 of HK88 cents (2018: nil)		
per ordinary share	118,800	–
	<u>135,000</u>	<u>37,800</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK8 cents (six months ended 30.9.2018: HK28 cents) per share, amounting to HK\$10,800,000 (six months ended 30.9.2018: HK\$37,800,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 23 December 2019. The interim dividend will be paid on 10 January 2020.

## 8. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share is based on the loss for the period attributable to owners of the Company of HK\$33,060,000 (six months ended 30.9.2018: profit of HK\$155,703,000) and on 135,000,000 (six months ended 30.9.2018: 135,000,000) shares in issue throughout the period.

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

## 9. INVESTMENT PROPERTIES

	30.9.2019	31.3.2019
	HK\$ '000	HK\$ '000
AT FAIR VALUE		
At beginning of the period/year	3,635,100	3,398,200
Additions	–	13,027
Transfer from property, plant and equipment	71,000	123,000
Transfer to property, plant and equipment	(46,600)	(127,000)
(Decrease) increase in fair value in profit or loss	(66,900)	227,873
At end of the period/year	<u>3,592,600</u>	<u>3,635,100</u>

## 9. INVESTMENT PROPERTIES (continued)

During the period, certain owner-occupied properties have become investment properties because the Group had rented out the properties to an independent third party to earn rentals and/or for capital appreciation. Accordingly, the carrying amounts of the relevant owner-occupied properties have been transferred from property, plant and equipment to investment properties. The fair value at the dates of transfers of HK\$71,000,000 had been arrived at on the basis of valuations carried out by A A Property Services Limited, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value of those owner-occupied properties over the carrying amounts at the date of transfer of HK\$70,673,000 is recognised in property revaluation reserve.

Certain investment properties had become property, plant and equipment because the Group had commenced to self-occupy those properties. The properties' deemed cost for subsequent accounting period were their fair values at the date of change in use. The fair value at the dates of transfers of HK\$46,600,000 had been arrived at on the basis of valuations carried out by A A Property Services Limited. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The fair value of the majority of the Group's investment properties as at 30 September 2019 amounting to HK\$3,557,000,000 (31.3.2019: HK\$3,635,100,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuations, are members of the Hong Kong Institute of Surveyors. The fair value of the investment properties were determined based on the income approach and market comparison approach, where appropriate. For income approach, the valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates. For market comparison approach, the valuations were arrived at by reference to the comparable sale transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The fair value of the Group's other investment properties as at 30 September 2019 amounting to HK\$35,600,000 (31.3.2019: nil) have been determined by the directors of the Company. The valuation performed by the directors of the Company was arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

The revaluation gave rise to a loss arising from changes in fair value of HK\$66,900,000 (six months ended 30.9.2018: a gain of HK\$130,973,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income.

In determining the fair value of the major investment properties, the Group engages independent qualified professional valuers to perform the valuation. The management works closely with the independent qualified professional valuers to establish the appropriate techniques and inputs to the model. The management reports the valuation reports and findings to the board of directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's owner-occupied properties with carrying amount of HK\$327,000 (six months ended 30.9.2018: HK\$12,879,000) was transferred to investment properties upon commencement of an operating lease to a third party.

During the period ended 30 September 2019, as a result of change in use of the property, the investment property was transferred to property, plant and equipment at fair value of HK\$46,600,000.

During the period, the Group acquired additional property, plant and equipment of HK\$1,128,000 (six months ended 30.9.2018: HK\$3,013,000).

## 11. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing a credit period of 60 days to its customers in respect of godown operations and 30 days for tenants. Before accepting any new customer, the Group will assess the potential customer's credit quality. Credit limits allowed to customers are reviewed once a year.

An analysis of trade receivables by age, presented based on the billing date are as follows:

	<b>30.9.2019</b> <i>HK\$'000</i>	<b>31.3.2019</b> <i>HK\$'000</i>
Trade receivables		
Within 60 days	5,429	5,821
61-90 days	206	71
Over 90 days	–	7
	<hr/>	<hr/>
	5,635	5,899
Other receivables	6,134	5,020
Prepayments and deposits	19,342	11,856
	<hr/>	<hr/>
	31,111	22,775
	<hr/> <hr/>	<hr/> <hr/>

## 12. SHARE CAPITAL

	<b>30.9.2019 &amp; 31.3.2019</b>	
	<b>Number of shares</b>	<b>Amount HK\$'000</b>
Issued and fully paid:		
Ordinary shares with no par value	135,000,000	178,216
	<hr/> <hr/>	<hr/> <hr/>

### 13. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	30.9.2019 HK\$'000	31.3.2019 HK\$'000			
Listed equity investments	184,187	144,043	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	96,487	110,591	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of the funds.	N/A
Unlisted debt instruments	40,435	38,110	Level 2	Quoted prices provided by brokers/financial institutions.	N/A

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

There were no transfers between Level 1 and 2 from/to 3 in the current period and prior year.

### 14. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was approximately HK\$591,000 (six months ended 30.9.2018: HK\$614,000).

## **CORPORATE INFORMATION AND KEY DATES**

### **DIRECTORS**

#### **Executive Director**

Mr. Lu Wing Yee, Wayne

#### **Non-executive Director**

Mr. Lee Ka Sze, Carmelo

#### **Independent Non-executive Directors**

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

### **COMPANY SECRETARY**

Ms. Mui Ngar May Joel

### **BANKERS**

The Hongkong and Shanghai Banking  
Corporation Limited

Bank of China (Hong Kong) Limited  
Industrial and Commercial Bank of

China (Asia) Limited  
MUFG Bank, Limited

### **SOLICITORS**

Woo, Kwan, Lee & Lo

### **AUDITORS**

Deloitte Touche Tohmatsu

### **KEY DATES**

Interim Results Announcement

Closure of Register of Members

Record Date for Interim Dividend

Payment Date of Interim Dividend

### **AUDIT COMMITTEE**

Mr. Gan Khai Choon (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

### **REMUNERATION AND NOMINATION COMMITTEE**

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Mr. Gan Khai Choon

### **REGISTERED OFFICE**

Unit 1801, 18th Floor, Lu Plaza

2 Wing Yip Street

Kwun Tong

Kowloon

Hong Kong

### **SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### **WEBSITE**

<http://www.safetygodown.com>

### **STOCK CODE**

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27 November 2019

19 to 23 December 2019 (both days inclusive)

23 December 2019

10 January 2020