



Interim Report  
中期報告 2018/19

安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

## **CORPORATE RESULTS**

For the six months ended 30 September 2018, Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded profit attributable to shareholders of approximately HK\$155,703,000 (six months ended 30 September 2017: HK\$208,965,000), representing a decrease of 25.5% as compared with the corresponding period in 2017. Total revenue increased by 14.3% from HK\$60,799,000 to HK\$69,465,000 mainly due to an increase in income from property investment. Earnings per share for the period decreased by 25.5% from HK\$1.55 to HK\$1.15.

The Group’s underlying profit excluding fair value gain on investment properties fell by 56.9% to HK\$24,730,000.

Total comprehensive income for the period attributable to shareholders decreased by 7.4% to HK\$265,824,000.

## **INTERIM DIVIDEND**

The Board of Directors has declared an interim dividend of HK28 cents for the six months ended 30 September 2018 (2017: HK28 cents) per share payable to the shareholders of the Company, whose names appear on the register of members on 24 December 2018. The interim dividend will be paid on 11 January 2019.

## **BUSINESS REVIEW**

During the period under review, the U.S. economy witnessed further growth, with salaries gradually pushed up by the pressures of tight human resources, and inflation resuming an upward trend. The gradual increase in interest rate is expected to continue, and unlike last year, the trend of increase in interest rate has spread to other economies, bringing uncertainty to the global economy. In addition, trade tensions between China and the U.S. have escalated since the middle of this year, with negative impact gradually fed through to China and Hong Kong. Indicators such as the stock market, property market and purchasing managers’ index all reflect concerns from all sides.

### **Godown operations**

Revenue generated from godown business in the first half of the year slightly reversed last year’s downtrend, revenue increased 4.8% to HK\$11,786,000 (six months ended 30 September 2017: HK\$11,249,000). Godown segment profit fell 26.6% to HK\$4,384,000 (six months ended 30 September 2017: HK\$5,976,000). Average warehouse rent increased from HK\$69 per cubic meter for the six months ended 30 September 2017 to HK\$77 per cubic meter, while average occupancy rate dropped from 67% for the six months ended 30 September 2017 to 66% during the period under review.

### **Property investment**

As for property investment, rental income and occupancy rate had slight increased for the Group’s flagship property, Lu Plaza, upon completion of its revitalization project. Due to the rental of one floor of Kwai Chung safety godown this April and reduced commission expenses, rental income and profit for the first half of the year increased. Total rental income from investment properties rose by 11.8% to HK\$45,467,000 (six months ended 30 September 2017: HK\$40,659,000), while segment profit rose to HK\$33,868,000 (six months ended 30 September 2017: HK\$26,467,000). The increase in segment profit was mainly due to the increase in average occupancy rate and unit rent of Lu Plaza, occupancy rate during the third quarter of 2018 delivered an increase to approximately 84.8%.

## **BUSINESS REVIEW (continued)**

### **Treasury investment**

Income from treasury investment increased by 37.4% to HK\$12,212,000 (six months ended 30 September 2017: HK\$8,891,000), but the value of the investment portfolio dropped due to the volatility in global equity markets, resulting in a loss of HK\$2,780,000 on treasury investment.

### **OUTLOOK**

The interest rates of debts in the U.S. and major developed countries have entered an upward cycle, and many developing countries such as Argentina, Turkey and Indonesia all face the economic crisis of currency depreciation, and with escalating economic tensions between China and the U.S., Hong Kong's economy faces various challenges.

As stated in last year's annual report, the Company has already invested a few million Hong Kong dollars to upgrade the hardware configuration of Safety Logistics (Kwai Chung) to strengthen its godown and logistics business service. We hope the upgrade will bring about improved efficiency and reducing operating costs, thereby the godown operations will remain stable.

Given a large volume of new supply of office space in Kowloon East in the coming years, in addition to uncertainty triggered by the escalating trade war, we anticipate rents in Kowloon East will only remain stable. Lu Plaza has been revitalized as a commercial building and is preparing to open a business centre on the third floor to further enhance its value and image, as well as its rental rate.

## **FINANCIAL REVIEW**

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

During the period, the Company's total revenue reached HK\$69,465,000, including income from property investment of HK\$45,467,000; income from godown operations of HK\$11,786,000; and income from treasury investment of HK\$12,212,000 in total, comprising interest income of HK\$7,447,000 and dividend income of HK\$4,765,000. The revenue of the three segments increased by 11.8%, 4.8%, and 37.4% respectively comparing to the last corresponding period. However, due to financial market fluctuation during the period, foreign exchange and stock investment recorded loss respectively, resulting in a loss of HK\$2,780,000 in the investment segment (six months ended 30 September 2017: a profit of HK\$33,945,000), constituting the main reason for the slide in interim results.

Staff costs rose 9.4% to HK\$6,891,000 (six months ended 30 September 2017: HK\$6,299,000).

Depreciation of property, plant and equipment increased because the original rental godown property was converted into a self-operated godown, incurring additional depreciation and resulting in a rise to HK\$8,046,000 (six months ended 30 September 2017: HK\$3,788,000). Kwai Chung safety godown's depreciation expenses rose from HK\$3,008,000 to HK\$6,724,000 as compared with the corresponding period in 2017.

Other expenses dropped to HK\$10,057,000 (six months ended 30 September 2017: HK\$14,694,000), mainly due to reduced commission paid to agents.

## **FINANCIAL REVIEW (continued)**

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

The Company's net asset value stood at HK\$4,801,570,000, mainly comprising HK\$3,538,200,000 of investment properties (including Lu Plaza, Safety Godown's rental portion, other industrial properties and carpark spaces), HK\$194,895,000 of fixed assets (mainly including Safety Godown's self-operated property) in total, and others which are mainly current assets portions, including deposits and financial investment, etc.

The carrying amount of the investment properties has increased as a result of the valuation carried out by independent professional valuers. The increase in appraised value was mainly due to the increase in rental income during the period and price increase of comparable properties located in Kwun Tong and Kwai Chung.

There were no significant changes in the total amount of other financial assets when compared with that on 31 March 2018, however, due to market fluctuations, cash and deposits (including those deposited with agents and non-bank financial institutions) increased by 7.1% to HK\$833,316,000 (31 March 2018: HK\$778,354,000).

During the period, the Group recorded a fair value gain on investment properties of HK\$130,973,000 (six months ended 30 September 2017: HK\$151,585,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income. In addition, certain fixed assets have been transferred to investment properties for rental income purposes. The fair value gain on such transfer in the amount of HK\$110,121,000 was recognised in property revaluation reserve and other comprehensive income.

### **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2018, the Group had cash and bank balances of HK\$833,316,000 (31 March 2018: HK\$778,354,000), while total current liabilities amounted to HK\$47,744,000 (31 March 2018: HK\$41,481,000). Current ratio stood at 24.68 times (31 March 2018: 28.75 times) and the Group had no bank borrowings.

Net assets of the Group ended higher by 5% to HK\$4,801,570,000 (31 March 2018: HK\$4,573,546,000) with net asset value per share increasing to HK\$35.57 (31 March 2018: HK\$33.88) per share.

### **EMPLOYEES**

As at 30 September 2018, the Group had a total of 37 (31 March 2018: 34) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. During the period, staff costs (including Directors' emoluments) increased by 9.4% to HK\$6,891,000 (six months ended 30 September 2017: HK\$6,299,000).

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 internal training to staff and provides bonuses based on staff performance and results of the Group. The Group does not have any share option scheme for employees.

## EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment in U.S. dollar securities and deposits and Australian dollar deposits. Since the Hong Kong dollar is pegged to the U.S. dollar, the management is of the opinion that the foreign exchange risk of financial instruments denominated in U.S. dollar is insignificant. During the period, the Group recorded an exchange loss of HK\$4,488,000 (six months ended 30 September 2017: exchange gain of HK\$609,000). As at 30 September 2018, the total value of the Australian dollar deposits amounted to approximately HK\$7,421,000 (31 March 2018: HK\$7,854,000).

## CONTINGENT LIABILITIES

As at 30 September 2018, the Group did not have any significant contingent liabilities (31 March 2018: nil).

## PLEDGE OF ASSETS

As at 30 September 2018, the Group did not have any pledge of assets (31 March 2018: nil).

## DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2018, 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 ordinary shares of the Company held (long position) |                     |                        | Total interests | Percentage of issued shares of the Company |
|------------------------|--------------------|--|---------------------|------------------------|-----------------|--|
|                        |                    | Family interests   | Corporate interests | Others 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).

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 at 30 September 2018.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2018, 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 shareholder | Capacity  | Number of issued ordinary shares held |                         | Percentage of issued shares of the Company |
|---------------------------------|---|---------------------------------------|-------------------------|--|
|                                 |   | Direct Interest                       | Indirect Interest       |  |
| Kian Nan Financial Limited      | Beneficial Interest   | 49,203,445                            | –                       | 36.45%                                     |
| Earngold Limited                | Beneficial Interest   | 10,350,000                            | –                       | 7.67%                                      |
| Ms. Chan Koon Fung              | Beneficial Interest/<br>Interest of controlled<br>corporation/Trustee | 2,989,500                             | 69,953,106 <sup>1</sup> | 54.03%                                     |

*Note:*

1. Among these 69,953,106 shares, (a) Ms. Chan Koon Fung was taken to be interested in 10,350,000 shares which were held by Earngold Limited, in which Ms. Chan indirectly 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).

Other than as disclosed above, at 30 September 2018, 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, 20 December 2018 to Monday, 24 December 2018, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed 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 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 19 December 2018.

## 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 2018 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 8 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

The Board of Directors ("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 probity, 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 "Listing Rules") throughout the period ended 30 September 2018 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; (ii) the division of responsibilities between the chairman of the board and the chief executive officer shall be clearly established and set out in writing; and (iii) the responsibilities should be performed by the Chairman.

From 5 April 2015 onwards, 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 of Directors of the Company 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 of Directors of the Company 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.

## **CORPORATE GOVERNANCE (continued)**

CG Code provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting. From 5 April 2015 onwards, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director of the Company, has been elected and acted as chairman of the annual general meeting of the Company held on 17 August 2018 in accordance with the Articles.

CG Code provision F.1.3 stipulates that the company secretary should report to the chairman of the board and/or the chief executive. As the position of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reported to and received instructions from the Executive Director of the Company.

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

## **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 2018.

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

Hong Kong  
28 November 2018



**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 (collectively referred to as the “Group”) set out on pages 9 to 27, which comprise the condensed consolidated statement of financial position as of 30 September 2018 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  
28 November 2018

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

*For the six months ended 30 September 2018*

|  | <i>Notes</i> | <b>Six months ended</b>                             |   |
|--|--------------|---|---|
|  |              | <b>30.9.2018</b><br>(unaudited)<br><i>HK\$ '000</i> | <b>30.9.2017</b><br>(unaudited)<br><i>HK\$ '000</i> |
| Revenue  | 3            | 69,465  | 60,799  |
| Income from godown operations  |              | 11,786  | 11,249  |
| Income from property investment  |              | 45,467  | 40,659  |
| Interest income  |              | 7,447   | 2,131   |
| Dividend income  |              | 4,765   | 6,760   |
| Other gains and losses   |              | (8,004)   | 26,346  |
| Exchange (loss) gain, net  |              | (4,488)   | 609   |
| Increase in fair value of investment properties  |              | 130,973   | 151,585   |
| Staff costs  |              | (6,891)   | (6,299)   |
| Depreciation of property, plant and equipment  |              | (8,046)   | (3,788)   |
| Other expenses   |              | (10,057)  | (14,694)  |
| Profit before taxation   | 5            | 162,952   | 214,558   |
| Taxation   | 6            | (7,249)   | (5,593)   |
| Profit for the period attributable to owners<br>of the Company                           |              | 155,703   | 208,965   |
| Other comprehensive income   |              |   |   |
| Item that will not be reclassified to profit or loss:                                    |              |   |   |
| Revaluation surplus on transfer of owned-occupied<br>properties to investment properties |              | 110,121   | 78,092  |
| Other comprehensive income for the period  |              | 110,121   | 78,092  |
| Total comprehensive income for the period<br>attributable to owners of the Company       |              | 265,824   | 287,057   |
| Earnings per share – Basic   | 8            | HK\$1.15  | HK\$1.55  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

|   | <i>Notes</i> | <b>30.9.2018</b><br>(unaudited)<br><i>HK\$'000</i> | <b>31.3.2018</b><br>(audited)<br><i>HK\$'000</i> |
|---|--------------|--|--|
| <b>Non-current assets</b>                           |              |  |  |
| Investment properties                               | 9            | 3,538,200  | 3,398,200  |
| Property, plant and equipment                       | 10           | 194,895  | 85,807   |
| Held-to-maturity investment                         |              | –  | 23,241   |
| Debt instrument at amortised cost                   |              | 23,242   | –  |
|   |              | 3,756,337  | 3,507,248  |
| <b>Current assets</b>                               |              |  |  |
| Investments held for trading                        |              | 318,616  | 384,219  |
| Trade and other receivables                         | 11           | 25,958   | 28,606   |
| Tax recoverable                                     |              | 244  | 1,390  |
| Bank deposits                                       |              | 702,736  | 311,904  |
| Other deposits                                      |              | 79,028   | 285,280  |
| Bank balances and cash                              |              | 51,552   | 181,170  |
|   |              | 1,178,134  | 1,192,569  |
| <b>Current liabilities</b>                          |              |  |  |
| Other payables                                      |              | 26,518   | 24,153   |
| Tax payable   |              | 21,226   | 17,328   |
|   |              | 47,744   | 41,481   |
| <b>Net current assets</b>                           |              | 1,130,390  | 1,151,088  |
|   |              | 4,886,727  | 4,658,336  |
| <b>Capital and reserves</b>                         |              |  |  |
| Share capital                                       | 12           | 178,216  | 178,216  |
| Reserves  |              | 4,623,354  | 4,395,330  |
| <b>Equity attributable to owners of the Company</b> |              | 4,801,570  | 4,573,546  |
| <b>Non-current liabilities</b>                      |              |  |  |
| Long-term tenants' deposits received                |              | 18,590   | 20,428   |
| Deferred tax liabilities                            |              | 66,155   | 63,950   |
| Provision for long service payments                 |              | 412  | 412  |
|   |              | 85,157   | 84,790   |
|   |              | 4,886,727  | 4,658,336  |

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2018*

|   | <b>Share<br/>capital</b> | <b>Property<br/>revaluation<br/>reserve</b> | <b>Retained<br/>profits</b> | <b>Total</b>     |
|---|--------------------------|---|-----------------------------|------------------|
|   | <i>HK\$'000</i>          | <i>HK\$'000</i>                             | <i>HK\$'000</i>             | <i>HK\$'000</i>  |
| At 1 April 2017 (audited)                 | 178,216                  | 215,821                                     | 3,803,004                   | 4,197,041        |
| Profit for the period                     | –                        | –   | 208,965                     | 208,965          |
| Other comprehensive income for the period | –                        | 78,092                                      | –                           | 78,092           |
| Total comprehensive income for the period | –                        | 78,092                                      | 208,965                     | 287,057          |
| Dividends paid ( <i>note 7</i> )          | –                        | –   | (135,000)                   | (135,000)        |
| At 30 September 2017 (unaudited)          | <u>178,216</u>           | <u>293,913</u>                              | <u>3,876,969</u>            | <u>4,349,098</u> |
| 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 ( <i>note 7</i> )          | –                        | –   | (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> |

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

|   | Six months ended                      |                                       |
|---|---------------------------------------|---------------------------------------|
|   | 30.9.2018<br>(unaudited)<br>HK\$ '000 | 30.9.2017<br>(unaudited)<br>HK\$ '000 |
| <b>Operating activities</b>   |                                       |                                       |
| Profit before taxation  | 162,952                               | 214,558                               |
| Adjustments for:  |                                       |                                       |
| Fair value loss (gain) on investments held for trading  | 8,256                                 | (26,217)                              |
| Increase in fair value of derivative financial instruments                                      | –                                     | (110)                                 |
| Increase in fair value of investment properties   | (130,973)                             | (151,585)                             |
| Exchange gain on debt instrument at amortised cost  | (1)                                   | –                                     |
| Depreciation of property, plant and equipment   | 8,046                                 | 3,788                                 |
|   | <hr/>                                 | <hr/>                                 |
| Operating cash flows before movements in working capital  | 48,280                                | 40,434                                |
| Decrease (increase) in investments held for trading   | 57,347                                | (84,650)                              |
| Other movements in working capital  | 3,175                                 | (3,463)                               |
|   | <hr/>                                 | <hr/>                                 |
| <b>Net cash generated from (used in) operating activities</b>                                   | 108,802                               | (47,679)                              |
| <b>Investing activities</b>   |                                       |                                       |
| Withdrawal of bank deposits   | 979,508                               | 319,387                               |
| Decrease (increase) in other deposits   | 206,252                               | (153,585)                             |
| Proceeds on disposal of derivative financial instruments  | –                                     | 15,159                                |
| Additions of bank deposits  | (1,370,340)                           | (8,048)                               |
| Additions of investment properties  | (13,027)                              | (15,415)                              |
| Purchase of property, plant and equipment   | (3,013)                               | (1,053)                               |
|   | <hr/>                                 | <hr/>                                 |
| <b>Net cash (used in) generated from investing activities</b>                                   | (200,620)                             | 156,445                               |
| <b>Cash used in a financing activity</b>  |                                       |                                       |
| Dividends paid  | (37,800)                              | (135,000)                             |
|   | <hr/>                                 | <hr/>                                 |
| <b>Net decrease in cash and cash equivalents</b>  | (129,618)                             | (26,234)                              |
| <b>Cash and cash equivalents at beginning of the period</b>                                     | 181,170                               | 215,181                               |
|   | <hr/>                                 | <hr/>                                 |
| <b>Cash and cash equivalents at end of the period,</b><br>represented by bank balances and cash | 51,552                                | 188,947                               |
|   | <hr/> <hr/>                           | <hr/> <hr/>                           |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 September 2018*

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 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 year ended 31 March 2018 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 2018 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, as appropriate.

Except as described below and changes in accounting policies which became first applicable during the interim period and 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 2018 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2018.

### **Property, plant and equipment**

Property, plant and equipment are carried at cost upon the transfer from investment property less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is recognised so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of investment property becomes property, plant and equipment because its use has changed as evidenced by commencement of owner-occupation, the fair value of the property at the date of transfer is treated as the deemed cost for subsequent accounting in accordance with the Group’s accounting policy on property, plant and equipment.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

### *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 mandatory effective for the annual period beginning on or after 1 April 2018 for the preparation of the Group's condensed consolidated financial statements:

|                       |   |
|-----------------------|---|
| HKFRS 9               | Financial Instruments   |
| HKFRS 15              | Revenue from Contracts with Customers and the related Amendments        |
| HK(IFRIC)-Int 22      | Foreign Currency Transactions and Advance Consideration                 |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions      |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014-2016 Cycle            |
| Amendments to HKAS 40 | Transfers of Investment Property  |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### *2.1 Impacts and changes in accounting policies of application on HKFRS 15 "Revenue from Contracts with Customers"*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded Hong Kong Accounting Standard ("HKAS") 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- godown operations
- property investment
- treasury investment

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.1 *Impacts and changes in accounting policies of application on HKFRS 15 “Revenue from Contracts with Customers” (continued)*

#### 2.1.1 *Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

#### **Contracts with multiple performance obligations (including allocation of transaction price)**

For contracts that contain more than one performance obligations (including inward and outward coolie service and transportation service), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

#### 2.1.2 *Summary of effects arising from initial application of HKFRS 15*

The application of the HKFRS 15 has no significant impact on the timing and amounts of revenue in the current interim period and retained profits at 1 April 2018.



## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 *Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments”*

In the current period, the Group has applied HKFRS 9 “Financial Instruments” and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities, ii) expected credit losses (“ECL”) for financial assets and iii) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

#### 2.2.1 *Key changes in accounting policies resulting from application of HKFRS 9*

##### Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss (“FVTPL”), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income (“OCI”) if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 “Business Combinations” applies.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

##### Classification and measurement of financial assets (continued)

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the “other gains and losses” line item.

The directors of the Company reviewed and assessed the Group’s financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Investments held for trading are required to be classified as FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9. Changes in classification and measurement on the Group’s financial assets and the impacts thereof are detailed in note 2.2.2.

##### Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents that ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade and other receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

##### Impairment under ECL model (continued)

##### *Significant increase in credit risk*

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of ‘investment grade’ as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

## 2. PRINCIPAL ACCOUNTING POLICIES (continued)

### 2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)

#### 2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (continued)

##### Impairment under ECL model (continued)

##### *Measurement and recognition of ECL*

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment in accordance with the requirements of HKFRS 9. The result of assessment and the impact thereof are detailed in note 2.2.2.

#### 2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

|  | <b>Held-<br/>to-maturity<br/>investment</b> | <b>Debt<br/>instrument at<br/>amortised cost</b> |
|--|---|--|
|  | <i>HK\$'000</i>                             | <i>HK\$'000</i>                                  |
| Closing balance at 31 March 2018                       |   |  |
| – HKAS 39  | 23,241                                      | –  |
| Effect arising from initial application<br>of HKFRS 9: |   |  |
| Reclassification                                       |   |  |
| From held-to-maturity investment ( <i>Note</i> )       | (23,241)                                    | 23,241   |
| At 1 April 2018  | <u>–</u>                                    | <u>23,241</u>                                    |

## **2. PRINCIPAL ACCOUNTING POLICIES (continued)**

### ***2.2 Impacts and changes in accounting policies of application on HKFRS 9 “Financial Instruments” (continued)***

#### *2.2.2 Summary of effects arising from initial application of HKFRS 9 (continued)*

*Note:*

From held-to-maturity investment to debt instrument at amortised cost

Listed bond previously classified as held-to-maturity investment is reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 April 2018.

#### Impairment under ECL model

The application of the expected credit loss model of HKFRS 9 has no material impact on the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables.

### ***2.3 Impacts and changes in accounting policies of application on Amendments to HKAS 40 “Transfers of Investment Property”***

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existed at that date, there is no impact to the classification at 1 April 2018.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

|   | <b>Six months<br/>ended 30 September</b> |                 |
|---|--|-----------------|
|   | <b>2018</b>                              | <b>2017</b>     |
|   | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| Income from godown operations ( <i>Note a</i> ) | 11,786                                   | 11,249          |
| Income from property investment                 | 45,467                                   | 40,659          |
| Dividend income from listed investments         | 4,765                                    | 6,760           |
| Bank interest income                            | 6,834                                    | 2,131           |
| Other interest income                           | 613                                      | –               |
|   | <u>69,465</u>                            | <u>60,799</u>   |

*Notes:*

- (a) Total income from godown operations

|  | <b>Six months<br/>ended 30 September</b> |                 |
|--|--|-----------------|
|  | <b>2018</b>                              | <b>2017</b>     |
|  | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| Inward and outward coolie income           | 1,530                                    | 1,283           |
| Transportation income and other income     | 254                                      | 203             |
| Storage rental income                      | 10,002                                   | 9,763           |
| <b>Total income from godown operations</b> | <u>11,786</u>                            | <u>11,249</u>   |

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

|   | <b>Six months<br/>ended 30 September</b> |                 |
|---|--|-----------------|
|   | <b>2018</b>                              | <b>2017</b>     |
|   | <i>HK\$'000</i>                          | <i>HK\$'000</i> |
| <b>Types of goods or services</b><br>(time of revenue recognition):       |  |                 |
| Inward and outward coolie income<br>(recognised at a point in time)       | 1,530                                    | 1,283           |
| Transportation income and other income<br>(recognised at a point in time) | 254                                      | 203             |
|   | <u>1,784</u>                             | <u>1,486</u>    |
| <b>Geographical market:</b>   |  |                 |
| Hong Kong   | <u>1,784</u>                             | <u>1,486</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 resource 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 2018

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

##### For the six months ended 30 September 2017

|  | Godown<br>operations | Property<br>investment | Treasury<br>investment | Segments<br>total | Consolidated |
|--|----------------------|------------------------|------------------------|-------------------|--------------|
|  | HK\$'000             | HK\$'000               | HK\$'000               | HK\$'000          | HK\$'000     |
| <b>Revenue</b>                                     |                      |                        |                        |                   |              |
| Segment revenue                                    | 11,249               | 40,659                 | 8,891                  | 60,799            | 60,799       |
| Segment profit                                     | 5,976                | 26,467                 | 33,945                 | 66,388            | 66,388       |
| Increase in fair value of<br>investment properties |                      |                        |                        |                   | 151,585      |
| Central administrative costs                       |                      |                        |                        |                   | (3,415)      |
| Profit before taxation                             |                      |                        |                        |                   | 214,558      |

Segment profit represents the profit earned by each segment without allocation of 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>30.9.2018</b> | <b>31.3.2018</b> |
|---------------------------|------------------|------------------|
|                           | <i>HK\$'000</i>  | <i>HK\$'000</i>  |
| Godown operations         | 180,778          | 72,523           |
| Property investment       | 3,570,700        | 3,425,592        |
| Treasury investment       | 1,127,849        | 1,006,966        |
| Total segment assets      | <u>4,879,327</u> | <u>4,505,081</u> |
| Godown operations         | 1,778            | 1,744            |
| Property investment       | 36,571           | 35,615           |
| Treasury investment       | 49               | 48               |
| Total segment liabilities | <u>38,398</u>    | <u>37,407</u>    |

#### 5. PROFIT BEFORE TAXATION

|  | <b>Six months ended</b> |                  |
|--|-------------------------|------------------|
|  | <b>30.9.2018</b>        | <b>30.9.2017</b> |
|  | <i>HK\$'000</i>         | <i>HK\$'000</i>  |
| Profit before taxation has been arrived at after charging (crediting): |                         |                  |
| Exchange loss (gain), net  | 4,488                   | (609)            |
| Fair value loss (gain) on investments held for trading (Note)          | 8,256                   | (26,217)         |
| Fair value gain on derivative financial instruments (Note)             | –                       | (110)            |

Note: Amount included in other gains and losses.

#### 6. TAXATION

|                       | <b>Six months ended</b> |                  |
|-----------------------|-------------------------|------------------|
|                       | <b>30.9.2018</b>        | <b>30.9.2017</b> |
|                       | <i>HK\$'000</i>         | <i>HK\$'000</i>  |
| The charge comprises: |                         |                  |
| Hong Kong Profits Tax | 5,044                   | 3,626            |
| Deferred taxation     | 2,205                   | 1,967            |
|                       | <u>7,249</u>            | <u>5,593</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 |                |
|--|------------------|----------------|
|  | 30.9.2018        | 30.9.2017      |
|  | HK\$'000         | HK\$'000       |
| Dividends paid:  |                  |                |
| Final dividend paid in respect of the year ended<br>31 March 2018 of HK28 cents (2017: HK12 cents)<br>per ordinary share | 37,800           | 16,200         |
| Special dividend paid in respect of the year ended<br>31 March 2018 of HK\$nil (2017: HK88 cents)<br>per ordinary share  | –                | 118,800        |
|  | <u>37,800</u>    | <u>135,000</u> |

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK28 cents (six months ended 30.9.2017: HK28 cents) per share, amounting to HK\$37,800,000 (six months ended 30.9.2017: HK\$37,800,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 24 December 2018. The interim dividend will be paid on 11 January 2019.

## 8. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of HK\$155,703,000 (six months ended 30.9.2017: HK\$208,965,000) and on 135,000,000 (six months ended 30.9.2017: 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

|   | 30.9.2018        | 31.3.2018        |
|---|------------------|------------------|
|   | HK\$'000         | HK\$'000         |
| AT FAIR VALUE                                       |                  |                  |
| At beginning of period/year                         | 3,398,200        | 3,081,000        |
| Additions   | 13,027           | 21,054           |
| Transfer from property, plant and equipment         | 123,000          | 79,000           |
| Transfer to property, plant and equipment           | (127,000)        | –                |
| Disposal of subsidiaries                            | –                | (195,000)        |
| Increase in fair value recognised in profit or loss | 130,973          | 412,146          |
| At end of period/year                               | <u>3,538,200</u> | <u>3,398,200</u> |

## 9. INVESTMENT PROPERTIES (continued)

During the period, certain owned 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 owned properties have been transferred from property, plant and equipment to investment properties. The fair value at the dates of transfers of HK\$123,000,000 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 owned properties over the carrying amounts at the date of transfer of HK\$110,121,000 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\$127,000,000 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 2018 amounting to HK\$3,510,000,000 (31.3.2018: HK\$3,370,000,000) 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 2018 amounting to HK\$28,200,000 (31.3.2018: HK\$28,200,000) 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 gain arising from changes in fair value of HK\$130,973,000 (six months ended 30.9.2017: HK\$151,585,000) 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\$12,879,000 (six months ended 30.9.2017: HK\$908,000) was transferred to investment properties upon commencement of an operating lease to a third party.

During the period ended 30 September 2018, 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\$127,000,000.

During the period, the Group acquired additional property, plant and equipment of HK\$3,013,000 (six months ended 30.9.2017: HK\$1,053,000).

## 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>30.9.2018</b><br><i>HK\$'000</i> | <b>31.3.2018</b><br><i>HK\$'000</i> |
|--------------------------|-------------------------------------|-------------------------------------|
| Trade receivables        |                                     |                                     |
| Within 60 days           | 7,768                               | 4,689                               |
| 61-90 days               | 413                                 | 105                                 |
| Over 90 days             | 3                                   | –                                   |
|                          | <hr/>                               | <hr/>                               |
|                          | 8,184                               | 4,794                               |
| Other receivables        | 3,682                               | 3,022                               |
| Prepayments and deposits | 14,092                              | 20,790                              |
|                          | <hr/>                               | <hr/>                               |
|                          | <u>25,958</u>                       | <u>28,606</u>                       |

## 12. SHARE CAPITAL

|                                   | <b>30.9.2018 &amp; 31.3.2018</b> |                                   |
|-----------------------------------|----------------------------------|-----------------------------------|
|                                   | <b>Number<br/>of shares</b>      | <b>Amount<br/><i>HK\$'000</i></b> |
| Issued and fully paid:            |                                  |                                   |
| Ordinary shares with no par value | <u>135,000,000</u>               | <u>178,216</u>                    |

### 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 |
|------------------------------|-----------------------|-----------------------|----------------------|--|---------------------------------|
|                              | 30.9.2018<br>HK\$'000 | 31.3.2018<br>HK\$'000 |                      |  |                                 |
| Investments held for trading | 318,616               | 384,219               | Level 1              | Quoted bid prices in an active market. | 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, 2 and 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 HK\$614,000 (six months ended 30.9.2017: HK\$559,000).

## 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

(appointed on 28 June 2018)

Mr. Wong Leung Wai

(resigned on 28 June 2018)

### BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Bank of Tokyo-Mitsubishi UFJ

Industrial and Commercial Bank of China (Asia) 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

### REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited

Level 22, Hopewell Centre

183 Queen's Road East

Hong Kong

### WEBSITE

<http://www.safetygodown.com>

### STOCK CODE

237

28 November 2018

20 December 2018 to

24 December 2018

(both days inclusive)

24 December 2018

11 January 2019

安全貨倉集團

**SAFETY GODOWN GROUP**

香港九龍觀塘榮業街2號振萬廣場18樓1801室

Unit 1801, 18/F., Lu Plaza, 2 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong.