

安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code 股份代號: 237)

2023 香港活力鼓令 24 式擂台賽
Hong Kong Synergy 24 Drum Competition

LU
PLAZA

迎國慶·賀中秋·綠燈會暨
仁善福來慈善總社成立三周年

INTERIM REPORT
2023/24

場場去盡

LU
PLAZA

THE
LU+

CORPORATE RESULTS

For the six months ended 30 September 2023 (the “Period”), Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively, the “Group”) recorded loss attributable to owners of the Company approximately HK\$51,740,000, representing a decrease of approximately 61.6% as compared with a loss of HK\$134,744,000 for the corresponding period in 2022. Total revenue increased by approximately 30.2% from HK\$68,243,000 to HK\$88,864,000. Loss per share for the Period decreased from HK\$0.33 to HK\$0.13.

The Group’s underlying profit excluding fair value loss on investment properties turned from a loss of HK\$15,604,000 for the corresponding period in 2022 to a profit of HK\$38,960,000 for the Period.

The Group’s net loss before taxation and net loss after taxation recorded HK\$44,397,000 (six months ended 30 September 2022: loss of HK\$128,340,000) and HK\$51,740,000 (six months ended 30 September 2022: loss of HK\$134,744,000), representing decreases of approximately 65.4% and 61.6%, respectively.

INTERIM DIVIDEND

The board of directors of the Company (the “Board”) declared an interim dividend of HK2.5 cents per share for the Period (six months ended 30 September 2022: HK2 cents per share), payable to the shareholders of the Company, whose names appear on the register of members on 21 December 2023. The interim dividend will be paid on 15 January 2024.

BUSINESS REVIEW

Godown Operations Segment

In the first half of the year, economic recovery was thwarted by international bilateral trade disputes and continued geopolitical tensions against a global backdrop of high interest rates. As a result, demands from overseas and Mainland China for Hong Kong goods and transit remained sluggish. Although local private consumption improved compared to that at the height of COVID-19 last year, the increase in outbound tourists still impacted local consumption. For all these reasons, market players in Hong Kong remained cautious and hesitant. Logistics customers of the Group also pursued a prudent warehousing strategy, which resulted in weaker results in the first half of the year than expected and the corresponding period of last year. The total storage volume fell to approximately ten thousand cubic meters at the end of September 2023, the lowest level since the outbreak of COVID-19 in 2020. The Group also changed its strategy in response to changes in the business environment by renting out two floors of the godown premises in Kwai Chung and reducing the storage area for godown business so as to maintain an average storage rate of approximately 64.0%.

The Group’s godown operations segment recorded weaker results in the first half of the year than expected and the corresponding period of last year. Total revenue dropped to HK\$9 million representing a decrease of HK\$1.29 million or 12.6% compared to HK\$10.29 million in the corresponding period of last year.

BUSINESS REVIEW (continued)

Property Investment Segment

For the rental business, commercial activities have recovered since the beginning of the year as Hong Kong gradually eased COVID-19 restrictions and the border between Hong Kong and the Mainland reopened. However, Lu Plaza was still affected by the increasing office supply in East Kowloon, and rentals per square foot were under sustained pressure. In addition, the Kwun Tong Ferry Pier was undergoing improvement works (estimated to be completed by mid-2025), which affected the attraction for new tenants during such period. Thanks to our successful lease of two floors of the Safety Godown No. 4 premises located in Kwai Chung at the end of the prior year and the beginning of the year, rental income increased to HK\$55.98 million in the first half of the year, representing an increase of HK\$6.96 million or 14.2% compared to HK\$49.01 million in the corresponding period of last year.

Treasury Investment Segment

As the Group adopted a conservative strategy in the past, most of its current assets were deposited in reliable and well-rated financial institutions in the form of time deposits. In the first half of the year, interest income from banks increased by approximately 3.2 times to HK\$20.42 million, plus dividend of HK\$2.69 million and bond interest income of HK\$0.78 million and less fair value loss of HK\$6.08 million, resulting in a net profit of HK\$16.09 million recorded by the segment. The satisfactory performance of treasury investment income only made up for the adverse impact of the business environment of godown logistics.

OUTLOOK

The weak recovery of Hong Kong's economy, especially local consumption, and the prudent warehousing strategy of logistics customers have a significant impact on the existing godown business. In response to the changes in consumption pattern after COVID-19 compared to that in the past, the Hong Kong Government and other institutions have also begun to focus on promoting night markets and other plans to stimulate consumption. If such plans bear fruit, the local consumer market is expected to pick up at the end of the year, which will increase the Group's storage and turnover rates in the second half of the year as customer mix of godown business has shifted from industrial products-oriented to local consumer goods-oriented customers.

Since the opening of The LU+ business center in 2021, the Group has been committed to enhancing the supporting facilities and services of Lu Plaza, and the measures taken have been effective. However, due to changes in the overall environment and the adverse impact of the ongoing refurbishment of the Kwun Tong Ferry Pier on the surrounding environment, these efforts can only maintain revenue without further breakthroughs in business. The Group will put continuous efforts into various improvement projects, and hopefully the competitiveness and attractiveness of Lu Plaza will be further enhanced. Upon the completion of the Kwun Tong Ferry Pier project and leverage the future improvements in the commercial property market and economic environment, breakthroughs in occupancy rates and average rentals per square foot can be expected.

Global interest rates have risen since 2022, leading to an increase in risk premiums tied to property value. In addition, due to the impact of supply and demand on the Hong Kong real estate market, the Group's investment properties have recorded revaluation losses in the past few years, and the current period is no exception. Despite interest rates are expected to stay higher for longer, the Group believes further losses will be recorded in the revaluation of investment properties when disclosed in the annual results announcement unless there are material changes in interest rates or property market prospects.

INVESTMENT PLAN

Since the start of rate hikes, there have been certain adjustments in the Hong Kong real estate market, and transfer prices of certain commercial and residential land have significantly decreased compared to those prior to the peak in 2020. Since the beginning of the year, the Group has been exploring several investment opportunities, including engaging professional consulting firms for development research. Should there be an important plan which is finalized and constitutes a discloseable transaction, the Group will make an announcement in accordance with the relevant regulations.

Hong Kong is currently hit by a mid-to short-term economic environment, but with the implementation of measures to boost the economy by the Central People's Government of China and the Government of Hong Kong Special Administrative Region, Hong Kong is expected to regain its former glory in the mid to long term. The Group will keep an eye on investment opportunities and hopes to bring better returns to shareholders in the next upward economic cycle.

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss and other comprehensive income

During the Period, the Company's total revenue reached HK\$88,864,000, including income from godown operations segment of HK\$9,000,000, property investment segment of HK\$55,976,000 and treasury investment segment of HK\$23,888,000 (interest income of HK\$21,194,000 and dividend income of HK\$2,694,000). The revenue of godown operations segment declined approximately of 12.6% and the other two segments, property investment segment and treasury investment segment, increased approximately 14.2% and 167.3%, respectively comparing to the last corresponding period.

During the Period, the Group recorded a fair value loss on investment properties of HK\$90,700,000 (six months ended 30 September 2022: loss of HK\$119,140,000) which had been included in the condensed consolidated statement of profit or loss and other comprehensive income.

Staff costs increased by approximately 22.0% to HK\$10,923,000 (six months ended 30 September 2022: HK\$8,950,000), which was mainly attributable to the increase in basic salary and bonus.

Depreciation of property, plant and equipment decreased by approximately 6.1% to HK\$12,071,000 (six months ended 30 September 2022: HK\$12,858,000).

Other expenses increased by approximately 11.6% to HK\$12,876,000 (six months ended 30 September 2022: HK\$11,536,000), which was mainly due to the increase in the subsidy of air-conditioning and management fee for the investment properties.

Condensed consolidated statement of financial position

The Company's net asset value recorded at HK\$3,960,738,000, mainly comprising HK\$2,916,700,000 of investment properties, HK\$187,807,000 of property, plant and equipment (mainly the Group's self-occupied godown building situated at Kwai Chung), HK\$128,612,000 of financial assets at fair value through profit or loss ("FVTPL") and other current assets, including bank balances and cash together with bank and other deposits.

The carrying amount of the investment properties decreased as a result of a downward adjustment in their fair values with reference to valuations carried out by an independent professional valuer on an open market basis as at 30 September 2023.

FINANCIAL REVIEW (continued)

Condensed consolidated statement of financial position (continued)

There were no significant changes in financial assets at FVTPL when compared with that on 31 March 2023. Total bank balances and cash, bank deposits and other deposits increased by approximately 5.3% (31 March 2023: HK\$827,240,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2023, the Group had bank balances and cash of HK\$20,236,000 (31 March 2023: HK\$99,306,000) and the total current liabilities amounted to HK\$60,340,000 (31 March 2023: HK\$48,454,000). Current ratio stood at approximately 16.93 times (31 March 2023: 20.24 times) and the Group had no bank borrowings.

The net assets of the Group increased by approximately 1.5% to HK\$3,960,738,000 (31 March 2023: HK\$3,901,073,000) and the net asset value per share increased by approximately 1.5% to HK\$9.78 (31 March 2023: HK\$9.63).

EMPLOYEES

As at 30 September 2023, the Group had a total of 39 (31 March 2023: 39) employees. Remuneration is determined based on qualifications, experience, responsibilities and performance. During the Period, staff costs (including Directors' emoluments) increased by approximately 22.0% to HK\$10,923,000 (six months ended 30 September 2022: HK\$8,950,000).

The Group's remuneration policies shall be 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 does not have any share scheme for employees.

EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment securities and deposits in US dollar. Since Hong Kong dollar is pegged to 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 an exchange loss of HK\$670,000 (six months ended 30 September 2022: gain of HK\$169,000).

CONTINGENT LIABILITIES

As at 30 September 2023, the Group did not have any significant contingent liabilities (31 March 2023: nil).

PLEDGE OF ASSETS

As at 30 September 2023, the Group did not have any pledge of assets (31 March 2023: nil).

DIRECTORS' INTERESTS IN SECURITIES

As at 30 September 2023, the interests of the directors of the Company (the “Directors”) 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	Approximately percentage of issued shares of the Company ³
		Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,231,260	–	70,320 ¹	13,200,000 ²	41,501,580	10.25%
Mr. Lam Ming Leung	30,000	–	–	–	30,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 70,320 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 13,200,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 405,000,000 shares in issue as at 30 September 2023.

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 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 September 2023, 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 ordinary shares held (Long Position)		Approximately percentage of issued shares of the Company ³
		Direct interest	Indirect interest	
Kian Nan Financial Limited	Beneficial interest	147,610,335	–	36.45%
Earngold Limited	Beneficial interest	31,050,000	–	7.67%
Chelton Trading Limited	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Executor or administrator	8,968,500	210,813,318 ²	54.27%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES (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 31,050,000 shares held by Earngold Limited.
2. Among these 210,813,318 shares, (a) Ms. Chan Koon Fung was taken to be interested in 31,050,000 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 147,610,335 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 18,952,983 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 13,200,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased). The Company was notified that Lusin And Company Limited purchased a total of 954,000 shares of the Company during the Period, which did not trigger any disclosure obligation.
3. Based on 405,000,000 shares in issue as at 30 September 2023.

Other than as disclosed above, at 30 September 2023, 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 REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 18 December 2023 to Thursday, 21 December 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 15 December 2023.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the Period under review.

REVIEW OF RESULTS

The Group's unaudited condensed consolidated financial statements for the Period 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 operations and developments. Effective corporate governance provides integrity, transparency and accountability which contributes to the corporate success and enhancement of shareholder value.

The Company has complied with all the code provisions set out in the Corporate Governance Code (“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 Period except for the following deviations from code provisions C.2.1 to C.2.9, C.3.3, C.6.3 and F.2.2.

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

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

CG Code Provision C.3.3 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. But the Company did not have formal letters of appointment for Directors. However, the Directors shall be subject to retirement by rotation and being eligible for re-election pursuant to the Articles of Association of the Company (the “Articles”). Moreover, the Directors are required to comply with the requirements under statute and common law, the Listing Rules, the Companies Ordinance, legal and other regulatory requirements, if applicable.

CG Code Provision C.6.3 stipulates that the company secretary should report to the Chairman of the Board and/or the Chief Executive Officer. As the positions of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reports to the Executive Director of the Company.

CG Code Provision F.2.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 18 August 2023 in accordance with the Articles.

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

As announced by the Company on 5 September 2023, Ms. Oen Li Lin (“Ms. Oen”) had tendered her resignation as an independent non-executive director of the Company with effect from 4 September 2023. Following the resignation of Ms. Oen, the Board comprises four members including one executive director, one non-executive director and two independent non-executive directors. The Board had not met the requirement to have at least three independent non-executive directors under Rule 3.10(1) of the Listing Rules.

As such, the Company has been actively identifying suitable candidates for appointment as an independent non-executive director of the Company in order to meet the requirement under Rule 3.10(1) of the Listing Rules. As at the date of this report, the Company is still identifying suitable candidate to be appointed as an independent non-executive director to fill the casual vacancy occasioned by the resignation of Ms. Oen for compliance with Rule 3.10(1) of the Listing Rules. The Company will make further announcement as and when appropriate.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Lu Wing Yee, Wayne
Executive Director

Hong Kong
28 November 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte.

德勤

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 10 to 23, which comprise the condensed consolidated statement of financial position as of 30 September 2023 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 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	Notes	Six months ended	
		30.9.2023	30.9.2022
		(unaudited) <i>HK\$'000</i>	(unaudited) <i>HK\$'000</i>
Revenue	3	<u>88,864</u>	<u>68,243</u>
Income from godown operations		9,000	10,293
Income from property investment		55,976	49,012
Interest income		21,194	5,512
Dividend income		2,694	3,426
Other gains and losses		(6,021)	(43,997)
Other income	5	–	665
Exchange (loss) gain, net		(670)	169
Decrease in fair value of investment properties		(90,700)	(119,140)
Staff costs		(10,923)	(8,950)
Depreciation of property, plant and equipment		(12,071)	(12,858)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		–	(936)
Other expenses		<u>(12,876)</u>	<u>(11,536)</u>
Loss before taxation	6	(44,397)	(128,340)
Taxation	7	<u>(7,343)</u>	<u>(6,404)</u>
Loss for the period attributable to owners of the Company		(51,740)	(134,744)
Other comprehensive income for the period			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owned properties to investment properties		<u>123,555</u>	<u>–</u>
Total comprehensive income (expense) for the period attributable to owners of the Company		<u>71,815</u>	<u>(134,744)</u>
Loss per share-Basic	9	<u>(HK\$0.13)</u>	<u>(HK\$0.33)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2023

	Notes	30.9.2023 (unaudited) HK\$'000	31.3.2023 (audited) HK\$'000
Non-current assets			
Investment properties	10	2,916,700	2,854,500
Property, plant and equipment	11	187,807	221,439
		<u>3,104,507</u>	<u>3,075,939</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		128,612	134,018
Trade and other receivables	12	22,051	19,337
Bank deposits		848,759	716,827
Other deposits		1,767	11,107
Bank balances and cash		20,236	99,306
		<u>1,021,425</u>	<u>980,595</u>
Current liabilities			
Other payables		36,331	29,158
Tax payable		24,009	19,296
		<u>60,340</u>	<u>48,454</u>
Net current assets		<u>961,085</u>	<u>932,141</u>
		<u>4,065,592</u>	<u>4,008,080</u>
Capital and reserves			
Share capital	13	178,216	178,216
Reserves		3,782,522	3,722,857
Equity attributable to owners of the Company		<u>3,960,738</u>	<u>3,901,073</u>
Non-current liabilities			
Long-term tenants' deposits received		18,422	21,687
Deferred tax liabilities		85,486	84,599
Provision for long service payments		946	721
		<u>104,854</u>	<u>107,007</u>
		<u>4,065,592</u>	<u>4,008,080</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Share capital HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2022 (audited)	<u>178,216</u>	<u>474,707</u>	<u>3,375,213</u>	<u>4,028,136</u>
Loss and total comprehensive expense for the period	–	–	(134,744)	(134,744)
Dividends appropriation (<i>note 8</i>)	<u>–</u>	<u>–</u>	<u>(24,300)</u>	<u>(24,300)</u>
At 30 September 2022 (unaudited)	<u>178,216</u>	<u>474,707</u>	<u>3,216,169</u>	<u>3,869,092</u>
At 1 April 2023 (audited)	<u>178,216</u>	<u>568,333</u>	<u>3,154,524</u>	<u>3,901,073</u>
Loss for the period	–	–	(51,740)	(51,740)
Revaluation surplus on transfer of owned properties to investment properties	<u>–</u>	<u>123,555</u>	<u>–</u>	<u>123,555</u>
Total comprehensive income (expense) for the period	–	123,555	(51,740)	71,815
Dividends appropriation (<i>note 8</i>)	<u>–</u>	<u>–</u>	<u>(12,150)</u>	<u>(12,150)</u>
At 30 September 2023 (unaudited)	<u>178,216</u>	<u>691,888</u>	<u>3,090,634</u>	<u>3,960,738</u>

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended	
	30.9.2023 (unaudited) HK\$'000	30.9.2022 (unaudited) HK\$'000
Operating activities		
Loss before taxation	(44,397)	(128,340)
Adjustments for:		
Unrealised loss on financial assets at FVTPL	6,109	28,718
Decrease in fair value of investment properties	90,700	119,140
Depreciation of property, plant and equipment	12,071	12,858
Addition of provision for long service payment	225	504
Loss on written off of property, plant and equipment	2	–
Impairment loss on trade receivable under ECL model	–	936
	<hr/>	<hr/>
Operating cash flows before movements in working capital	64,710	33,816
(Increase) decrease in financial assets at FVTPL	(703)	133,287
Other movements in working capital	1,104	376
	<hr/>	<hr/>
Cash generated from operations	65,111	167,479
Income tax paid	(1,743)	(77)
	<hr/>	<hr/>
Net cash from operating activities	<u>63,368</u>	<u>167,402</u>
Investing activities		
Withdrawal of bank deposits	2,272,724	1,933,550
Placement of bank deposits	(2,404,656)	(2,246,549)
Withdrawal of other deposits	15,606	176,595
Placement of other deposits	(6,266)	(126,207)
Purchase of property, plant and equipment	(7,786)	(3,481)
	<hr/>	<hr/>
Net cash used in investing activities	<u>(130,378)</u>	<u>(266,092)</u>
Cash used in a financing activity		
Dividends paid	(12,060)	(24,153)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	<u>(79,070)</u>	<u>(122,843)</u>
Cash and cash equivalents at beginning of the period	<u>99,306</u>	<u>139,167</u>
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>20,236</u>	<u>16,324</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

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 year ended 31 March 2023 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 2023 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 additional accounting policy resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies applied and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 March 2023.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the amendments to HKFRSs in the current interim 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.

3. REVENUE

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations (<i>note a</i>)	9,000	10,293
Income from property investment	55,976	49,012
Dividend income from listed and unlisted investments	2,694	3,426
Bank interest income	20,419	4,809
Other interest income	775	703
	<u>88,864</u>	<u>68,243</u>

Note:

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

	Six months ended 30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations		
Types of goods or services		
(time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	521	937
Transportation income and other income (recognised at a point in time)	755	618
Storage service income (recognised over time)	7,724	8,738
	<u>9,000</u>	<u>10,293</u>
Geographical market:		
Hong Kong	9,000	10,293

For contracts entered into with customers on inward and outward coolie income and transportation and other income, the relevant services specified in the contracts are based on customer's specifications with no alternative use and the Group does not have an enforceable right to payment prior to the completion of relevant services to customers. Revenue from inward and outward coolie income and transportation and other income are therefore recognised at a point in time when the physical possession of the asset is transferred, being at the point that the services are completed and the Group has the present right to payment and collection of the consideration is probable.

Revenue from storage service income is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group bills a fixed amount for each day of service provided. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice. As permitted under HKFRS 15 "Revenue from Contracts with Customers", the transaction price allocated to these unsatisfied contracts is not disclosed.

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

Segment information about these operating and reportable segments is presented below:

For the six months ended 30 September 2023

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	<u>9,000</u>	<u>55,976</u>	<u>23,888</u>	<u>88,864</u>
Segment (loss) profit	<u>(2,411)</u>	<u>(53,435)</u>	<u>16,094</u>	(39,752)
Central administrative costs				<u>(4,645)</u>
Loss before taxation				<u>(44,397)</u>

As at 30 September 2023

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	164,987	2,954,812	985,085	4,104,884
Bank balances and cash				20,236
Unallocated other assets				<u>812</u>
Consolidated total assets				<u>4,125,932</u>
Liabilities				
Segment liabilities	2,384	43,161	83	45,628
Tax payable				24,009
Deferred tax liabilities				85,486
Unallocated other liabilities				<u>10,071</u>
Consolidated total liabilities				<u>165,194</u>

4. SEGMENT INFORMATION (continued)

For the six months ended 30 September 2022

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
Segment revenue	<u>10,293</u>	<u>49,012</u>	<u>8,938</u>	<u>68,243</u>
Segment profit (loss)	<u>750</u>	<u>(88,706)</u>	<u>(36,084)</u>	(124,040)
Central administrative costs				<u>(4,300)</u>
Loss before taxation				<u>(128,340)</u>

As at 31 March 2023

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets				
Segment assets	196,341	2,893,953	865,823	3,956,117
Bank balances and cash				99,306
Unallocated other assets				<u>1,111</u>
Consolidated total assets				<u>4,056,534</u>
Liabilities				
Segment liabilities	2,314	39,974	104	42,392
Tax payable				19,296
Deferred tax liabilities				84,599
Unallocated other liabilities				<u>9,174</u>
Consolidated total liabilities				<u>155,461</u>

Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of central administrative costs, which include directors' emoluments, other expenses that are not directly related to the core business and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

5. OTHER INCOME

During the six months ended 30 September 2022, the Group recognised HK\$665,000 in respect of COVID-19 subsidy, which relates to Employment Support Scheme provided by the Hong Kong Government.

6. LOSS BEFORE TAXATION

	Six months ended	
	30.9.2023	30.9.2022
	HK\$'000	HK\$'000
Loss before taxation has been arrived at after charging (crediting):		
Exchange loss (gain), net	670	(169)
Fair value loss on financial assets at FVTPL (<i>note</i>)	<u>6,079</u>	<u>44,028</u>

Note: Amount included in other gains and losses.

7. TAXATION

	Six months ended	
	30.9.2023	30.9.2022
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	6,456	4,328
Deferred taxation	<u>887</u>	<u>2,076</u>
	<u>7,343</u>	<u>6,404</u>

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

8. DIVIDENDS

	Six months ended	
	30.9.2023	30.9.2022
	HK\$'000	HK\$'000
Dividends appropriation:		
Final dividend appropriation in respect of the year ended 31 March 2023 of HK3 cents (2022: HK6 cents) per ordinary share	<u>12,150</u>	<u>24,300</u>

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK2.5 cents (six months ended 30.9.2022: HK2 cents) per share, amounting to HK\$10,125,000 (six months ended 30.9.2022: HK\$8,100,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 21 December 2023.

9. LOSS PER SHARE-BASIC

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of HK\$51,740,000 (six months ended 30.9.2022: loss of HK\$134,744,000) and on 405,000,000 (six months ended 30.9.2022: 405,000,000) shares in issue throughout the period.

No diluted loss per share has been presented as there were no potential ordinary shares in issue in both periods.

10. INVESTMENT PROPERTIES

	30.9.2023	31.3.2023
	HK\$'000	HK\$'000
AT FAIR VALUE		
At beginning of the period/year	2,854,500	2,966,340
Transfer from property, plant and equipment	152,900	100,000
Decrease in fair value recognised in profit or loss	<u>(90,700)</u>	<u>(211,840)</u>
At end of the period/year	<u>2,916,700</u>	<u>2,854,500</u>

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

10. INVESTMENT PROPERTIES (continued)

In determining the fair value of the relevant properties, the Group engages independent qualified professional valuers to perform the valuation. The management of the Company works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model.

During the period, some owned-properties and leasehold land have become investment properties because the Group had rented out the properties and the land to independent third parties to earn rentals and/or for capital appreciation. Accordingly, the carrying amount of these owner-occupied properties have been transferred from property, plant and equipment to investment properties. The fair value at the date of transfer amounting to HK\$152,900,000 (six months ended 30.9.2022: nil) had been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value of those owned-properties and leasehold land over the carrying amounts at the date of transfer amounting to HK\$123,555,000 (six months ended 30.9.2022: nil) is recognised in property revaluation reserve.

The fair value of the Group's investment properties as at 30 September 2023 amounting to HK\$2,916,700,000 (31.3.2023: HK\$2,854,500,000) have been arrived at on the basis of valuations carried out on that date by Colliers International (Hong Kong) Limited, Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Colliers International (Hong Kong) Limited, Chartered Surveyors, who carried out the valuations, are members of the Hong Kong Institute of Surveyors. The fair values 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. Market comparison 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 revaluation gave rise to a loss arising from changes in fair value of HK\$90,700,000 (six months ended 30.9.2022: HK\$119,140,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income.

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.

11. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's owned-properties and leasehold land with carrying amount of HK\$29,345,000 (six months ended 30.9.2022: nil) were transferred to investment properties upon the end of owner-occupation and commencement of operating leases to independent third parties.

During the current period, the Group acquired additional property, plant and equipment of HK\$7,786,000 (six months ended 30.9.2022: HK\$3,481,000).

During the current period, the Group wrote-off certain furniture, fixtures and equipment with an aggregate carrying amount of HK\$2,000 (six months ended 30.9.2022: nil), resulting in a loss on written off of HK\$2,000 (six months ended 30.9.2022: nil).

12. 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 on presentation of invoices. 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 (net of allowance for credit losses) by age, presented based on the billing date are as follows:

	30.9.2023 <i>HK\$'000</i>	31.3.2023 <i>HK\$'000</i>
Within 60 days	3,401	3,284
61-90 days	190	518
Over 90 days	972	170
	<u>4,563</u>	<u>3,972</u>

13. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 30 September 2022, 31 March 2023 and 30 September 2023	<u>405,000</u>	<u>178,216</u>

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group obtains the quoted prices from brokers/financial institutions. The management works closely with the fund manager to establish the appropriate valuation techniques and inputs.

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
	30.9.2023 HK\$'000	31.3.2023 HK\$'000			
Financial assets at FVTPL					
Listed equity investments	64,903	71,095	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	15,313	15,366	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	8,541	8,009	Level 3	Net assets value with reference to the net asset value of the underlying fund.	The increase in the net assets value would result in an increase in fair value.
Unlisted debt instruments	39,855	39,548	Level 2	Quoted prices in market that are not active.	N/A

14. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the events or change in circumstances that caused the transfer.

Reconciliation of Level 3 fair value measurements of financial assets:

	Six months ended	
	30.9.2023	30.9.2022
	HK\$'000	HK\$'000
At the beginning of the period	8,009	9,906
Additions	–	349
Net gain (loss) in profit or loss (<i>note</i>)	532	(1,245)
	<u>8,541</u>	<u>9,010</u>
At the end of the period	<u>8,541</u>	<u>9,010</u>

Note: Of the net gains for the period included in profit or loss, gain of HK\$532,000 relate to unlisted investment fund held at the end of current reporting period (six months ended 30.9.2022: loss of HK\$1,245,000 relate to unlisted investment fund). Such fair value gains or losses are included in "other gains and losses".

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

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. The fair values of these financial assets and liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

15. COMMITMENTS

As at the end of the current interim period, the Group has committed to (i) acquire some property, plant and equipment and refurbish the investment properties of HK\$22,357,000 (31 March 2023: HK\$8,274,000) and (ii) contribute funds for an unlisted investment fund of HK\$1,411,000 (31 March 2023: HK\$1,411,000).

16. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$667,000 (six months ended 30.9.2022: HK\$778,000).

During the period, the Group received a rental income amounting to HK\$232,000 (six months ended 30.9.2022: nil) from a company which is controlled by Ms. Chan Koon Fung (spouse of the late Chairman Mr. Lu Sin) and Mr. Lu Wing Yee, Wayne, executive director of the Company as he is one of the executors of the estate of Mr. Lu Sin.

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. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin (*resigned on 4 September 2023*)

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, Ltd.

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

KEY DATES

Interim Results Announcement

Closure of Register of Members

Record Date for Interim Dividend

Payment Date of Interim Dividend

AUDIT COMMITTEE

Mr. Leung Man Chiu, Lawrence (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Ms. Oen Li Lin (*resigned on 4 September 2023*)

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin (*resigned on 4 September 2023*)

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

17/F, Far East Finance Centre,

16 Harcourt Road, Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

237

28 November 2023

18 to 21 December 2023 (both days inclusive)

21 December 2023

15 January 2024