



Interim Report  
中期報告 2015/16

安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

## **GROUP RESULTS**

After a strong profit growth of 193% in year 2015, the Group's profit attributable to shareholders for the six months ended 30 September 2015 slipped 12.06% (six months ended 30 September 2014 rose 70.41%) to HK\$153,608,000 (six months ended 30 September 2014: HK\$174,681,000) compared to the last corresponding period. Profit excluding fair value gain on investment properties dropped slightly by 4.37% to HK\$43,904,000 (six months ended 30 September 2014: HK\$45,909,000), while shareholders' fund for the half year period rose by 8.36% to HK\$3,886,968,000 (31 March 2015: HK\$3,587,102,000).

## **DIVIDENDS**

The Directors have declared an interim dividend of HK7 cents per share (six months ended 30 September 2014: HK7 cents) and a special dividend of HK15 cents per share (six months ended 30 September 2014: HK13 cents) be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2015. The interim dividend and special dividend will be paid on or around 11 January 2016.

## **BUSINESS REVIEW**

While the economic and employment growth in U.S. in the second half of 2015 was lower than expected, the unemployment rate was the lowest since April 2008 and the trend for growth prospects was positive. However, the labour market has not yet returned to normal and the Federal Reserve has adopted more moderate measures, low interest rates were maintained over the period under review.

Mainland China has undergone a stock market downturn in the past six months and a RMB depreciation in August. The price of both first-hand and second-hand properties also cooled down. With the economy growing by less than 7% during the third quarter, there will be more pressure to maintain growth in the final quarter.

Hong Kong's business environment has been deeply affected by the global economy. With demand for storage slowing down during the period under review, godown rental income fell by 5%, lowering the profit in this sector by 7%. Rental income from property investment rose 9%, mainly driven by increases in rent from leased-out industrial godown properties raising the profit in this sector by 15%. The revitalisation project of Lu Plaza has been underway since work commenced in June. The project is basically progressing on schedule. Works are now ongoing with the central air-conditioning system, the Main Lobby and some of the public area on the ground floor and office floors. A concerted effort and arrangements made by the property management company and the project team has minimised the impact of the revitalisation project on our tenants, rental income from Lu Plaza has been mostly steady.

Income from financial investments increased by 5%, but with the severe fluctuations in the Hong Kong stock market and the foreign exchange market during the period under review, a loss of HK\$4,116,000 was recorded, compared with a profit of HK\$2,764,000 in the previous year.

## **OUTLOOK**

While the pace of the global economy is steady and is slightly picking up, downward risks are still apparent. Meanwhile, as the U.S. has better economic fundamentals than many other countries, there is a significantly higher likelihood of a minute interest rate increase by the end of the year.

The progress of the Mainland economy has been less than favourable. As the Thirteenth Five-year Plan emphasises on raising the position and function of Hong Kong and Macau in the country's economic development, it is hoped that exports will be stimulated which in turn giving rise to increase domestic demand and ultimately benefiting Hong Kong's godown industry. The godown business is expected to remain stable.

When the revitalisation of Lu Plaza into a non-industrial building is complete, it will attract a higher quality tenants base, generating better revenues to the Group.

As announced on the websites of the Group and through the Hong Kong Stock Exchange on the 11<sup>th</sup> of this month, the sale of Chivas Godown is expected to be completed by mid-December this year, resulting in a notable one-off gain on disposal.

## **FINANCIAL REVIEW**

Turnover of the Group for the period under review grew by 8.43% to HK\$81,462,000 (six months ended 30 September 2014: HK\$75,130,000) with profit before taxation after excluding fair value gain on investment properties stabilised at HK\$54,362,000 (six months ended 30 September 2014: HK\$55,531,000). The growth in total turnover was mainly attributable to the increase in income from the property investment operation.

### **Godown operations**

The external environment in the period under review was highly unstable. Global economy was grinding down, notably in Russia, China and European markets. Exports of goods in Hong Kong weakened, trade and cargo flows remained subdued. The Group's profits in godown operation was thus jeopardized, with a drop of 4.54% in turnover to HK\$18,609,000 (six months ended 30 September 2014: HK\$19,495,000) and a decline in segment profit of 7.26% to HK\$9,156,000 (six months ended 30 September 2014: HK\$9,873,000), while gross profit margin maintained at around 50%.

### **Property investment**

Though property market in Hong Kong turned quieter with further plunged in transaction volume during the period under review, rental income generated from property leasing business of the Group continued to grow. Rental income for the period registered an increase of 12.62% to HK\$59,155,000 (six months ended 30 September 2014: increase of 11.49% to HK\$52,528,000), with segment profit rose by 14.73% to HK\$52,613,000 (six months ended 30 September 2014: HK\$45,859,000) which includes a fair value gain in investment properties of HK\$109,704,000 (six months ended 30 September 2014: HK\$128,772,000). The total investment properties as at 30 September 2015 valued at HK\$3,515,400,000 (31 March 2015: HK\$3,176,400,000). During the period, the Group had transferred certain owner-occupied properties with carrying value of HK\$1,611,000 to investment properties for rental income purpose.

## **Treasury investment**

Hong Kong stock market underwent a sharp correction during the third quarter of 2015. Concerns over the global outlook, the weak China economic data, prolonged decline in oil prices and rising expectation of interest rate hike in the U.S. sparked significant volatility to the global financial markets. Hang Seng Index finished at 20,846 points, down 4,054 points, representing a fell of 16.28% during the period.

Amid the tough stock market conditions, the Group continues to manage its investment portfolio with strict control in market risk. Treasury investment income increased by 19.02% to HK\$3,698,000 (six months ended 30 September 2014: HK\$3,107,000), with a segment loss of HK\$4,116,000 (six months ended 30 September 2014: segment profit of HK\$2,764,000). In light of the high volatility in stock market recently, the Group reduced its investment portfolio in trading securities. Trading securities portfolio as at 30 September 2015 reduced to HK\$78,338,000 (31 March 2015: HK\$92,201,000).

The value of available-for-sale securities investment surged by 53.56% to HK\$56,247,000. (31 March 2015: HK\$36,628,000), representing a fair value gain of HK\$19,619,000 (six months ended 30 September 2014: HK\$2,166,000).

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group continued to maintain a strong balance sheet position. As at 30 September 2015, total cash and bank balance amounted to HK\$240,994,000 (31 March 2015: HK\$273,913,000), and the total current assets reduced to HK\$338,426,000 (31 March 2015: HK\$378,480,000). Current ratio was reduced to 7.83 times (31 March 2015: 13.17 times).

Total liabilities of the Group was maintained at a low level of HK\$118,394,000 (31 March 2015: HK\$105,154,000), with no bank borrowings or loans of any kind. The Group financed its operation mainly by its strong cash flows generated from operation.

## **EMPLOYEES**

As at 30 September 2015, the total number of employees of the Group was 51 (31 March 2015: 53 employees), compared with 53 as at 30 September 2014. Staff cost (including directors' emoluments) decreased by 9.81% to HK\$7,283,000 (six months ended 30 September 2014: HK\$8,075,000).

The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides 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 Renminbi time deposits and Australian dollar bonds. During the period, the Group recorded exchange losses of HK\$1,753,000 (six months ended 30 September 2014: HK\$439,000). As at 30 September 2015, the total value of the Renminbi time deposits and held-to-maturity investment amounted to HK\$49,841,000 and HK\$5,450,000 (31 March 2015: HK\$50,203,000 and HK\$5,958,000) respectively.

## CONTINGENT LIABILITIES

As at 30 September 2015, the Group did not have any significant contingent liabilities.

## PLEDGE OF ASSETS

As at 30 September 2015, the Group did not have any pledge of assets (31 March 2015: nil).

## DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2015, the interests of 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 director	Number of issued ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests	Corporate interests		
Mr. Lu Sin (deceased)	4,400,000	12,939,500 <sup>1</sup>	49,203,445 <sup>2</sup>	66,542,945	49.29%
Mr. Lu Wing Yee, Wayne	7,910,420	–	23,440 <sup>3</sup>	7,933,860	5.88%
Mr. Lam Ming Leung	10,000	–	–	10,000	0.0074%

Notes:

- Mr. Lu Sin (deceased) was deemed to be interested in these 12,939,500 shares which comprise:
  - 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung personally;
  - 10,350,000 shares held through Earngold Limited of which his spouse, Ms. Chan Koon Fung, indirectly own 50% of the issued share capital;
- Mr. Lu Sin (deceased) was deemed to be interested in these 49,203,445 shares which comprise:
  - 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 47.57% held by Mr. Lu Sin (deceased) and 15.19% held by his spouse, Ms. Chan Koon Fung;
  - 2,000,000 shares held through Lusin and Company Limited, the issued share capital in which was 46.50% held by Mr. Lu Sin (deceased) and 15.50% held by his spouse, Ms. Chan Koon Fung.
- Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares through a company, which was 100% controlled by himself.

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 2015.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2015, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, 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 share capital of the Company:

Name of substantial shareholder	Number of issued ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Kian Nan Financial Limited	47,203,445	–	34.97%
Fu Nan Enterprises Company Limited	11,999,661	–	8.89%
Earngold Limited	10,350,000	–	7.67%

*Note:* Ms. Chan Koon Fung, the spouse of Mr. Lu Sin (deceased), was taken to be interested in a total of 66,542,945 shares of the Company, representing approximately 49.29% of the issued shares of the Company, which comprise her personal interests and Mr. Lu Sin (deceased)’s interests in the shares of the Company as disclosed in the section headed “Directors’ Interests in Securities” above.

Other than as disclosed above, at 30 September 2015, 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 share capital of the Company.

## CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Friday, 18 December 2015 to Tuesday, 22 December 2015, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend and special 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 Thursday, 17 December 2015.

## PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

## REVIEW OF RESULTS

The Group’s condensed consolidated financial statements for the six months ended 30 September 2015 (the “Financial Statements”) 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.

In the presence of the representatives of DTT, the Audit Committee met on 19 November 2015 and reviewed with the management the unaudited Financial Statements and expressed no disagreement with the accounting policies and standards adopted by the Group.

## **CORPORATE GOVERNANCE**

The Company has complied with the code provisions set out in Appendix 14 of the Corporate Governance Code (the “Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2015 except for the deviations from the following code provisions:

Code Provisions A.2.1 to A.2.9 stipulate (i) that 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 role and responsibility of the chairman of the board and the chief executive officer.

The late Mr. Lu Sin assumed the roles of both the Chairman and the Chief Executive Officer of the Company. Following the death of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this 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.

Code Provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. However, all Non-executive Directors are appointed with no specific term. 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.

The Company did not have formal letters of appointment for directors. In fact, all the Directors (including Non-executive Directors) 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 Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provisions.

Code Provision E.1.2 stipulates that the chairman of the Board should attend the annual general meeting.

Since the death of Mr. Lu Sin (the late Chairman), the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, an Executive Director, has been elected and acted as chairman of the annual general meeting of the Company held on 14 August 2015 in accordance with the Articles of Association of the Company.

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 an Executive Director of the Company.

## **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 code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors 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 2015.

## **CHANGES OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of directors' information of the Company since the date of the 2015 annual report until the date of this interim report is as follows:

1. Mr. Oen Min Tjin, an Executive Director of the Company, passed away on 15 August 2015.
2. Mr. Lee Ka Sze, Carmelo, a Non-executive Director of the Company, has resigned as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (listed on The Stock Exchange of Hong Kong with the stock code 2318) with effect from 1 July 2015. Mr. Lee also ceased to be the Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited with effect from 10 July 2015. Mr. Lee was appointed as an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (listed on The Stock Exchange of Hong Kong with stock code 02601) on 26 November 2015.

Save for the information disclosed above and as at the date of this interim report, the Company is not aware of other change in the directors' information which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules.

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

Hong Kong, 26 November 2015



**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 18, which comprise the condensed consolidated statement of financial position as of 30 September 2015 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 Main Board Listing 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, 26 November 2015

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

*For the six months ended 30 September 2015*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.9.2015</b>	<b>30.9.2014</b>
		(unaudited) <i>HK\$ '000</i>	(unaudited) <i>HK\$ '000</i>
Turnover	3	81,462	75,130
Income from godown operations		18,609	19,495
Income from property investment		59,155	52,528
Interest income		1,134	1,262
Dividend income		2,564	1,845
Fair value (loss) gain on investments held for trading		(4,401)	713
Other income and gains		254	64
Increase in fair value of investment properties		109,704	128,772
Staff costs		(7,283)	(8,075)
Depreciation of property, plant and equipment		(3,349)	(3,403)
Other expenses		(12,321)	(8,898)
Profit before taxation	4	164,066	184,303
Taxation	5	(10,458)	(9,622)
Profit for the period attributable to owners of the Company		153,608	174,681
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owned-occupied property to investment properties		214,389	–
Item that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		19,619	2,166
Other comprehensive income for the period		234,008	2,166
Total comprehensive income for the period attributable to owners of the Company		387,616	176,847
Earnings per share – Basic	7	HK\$1.14	HK\$1.29

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2015

	<i>Notes</i>	<b>30.9.2015</b> (unaudited) <i>HK\$ '000</i>	<b>31.3.2015</b> (audited) <i>HK\$ '000</i>
<b>Non-current assets</b>			
Investment properties	8	3,515,400	3,176,400
Property, plant and equipment	9	89,839	94,790
Available-for-sale investments		56,247	36,628
Held-to-maturity investment		5,450	5,958
		3,666,936	3,313,776
<b>Current assets</b>			
Investments held for trading		78,338	92,201
Trade and other receivables	10	17,092	10,364
Tax recoverable		2,002	2,002
Bank and other deposits		136,870	132,484
Bank balances and cash		104,124	141,429
		338,426	378,480
<b>Current liabilities</b>			
Other payables		31,614	26,498
Tax payable		11,623	2,244
		43,237	28,742
<b>Net current assets</b>			
		295,189	349,738
		3,962,125	3,663,514
<b>Capital and reserves</b>			
Share capital	11	178,216	178,216
Reserves		3,708,752	3,408,886
		3,886,968	3,587,102
<b>Equity attributable to owners of the Company</b>			
		3,886,968	3,587,102
<b>Non-current liabilities</b>			
Long-term tenant's deposits received		16,458	18,635
Deferred tax liabilities		56,598	55,519
Provision for long service payments		2,101	2,258
		75,157	76,412
		3,962,125	3,663,514

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the six months ended 30 September 2015*

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014 (audited)	178,216	12,612	63,618	2,784,899	3,039,345
Profit for the period	–	–	–	174,681	174,681
Other comprehensive income for the period	–	2,166	–	–	2,166
Total comprehensive income for the period	–	2,166	–	174,681	176,847
Dividends paid ( <i>note 6</i> )	–	–	–	(33,750)	(33,750)
At 30 September 2014 (unaudited)	<u>178,216</u>	<u>14,778</u>	<u>63,618</u>	<u>2,925,830</u>	<u>3,182,442</u>
At 1 April 2015 (audited)	178,216	21,849	63,618	3,323,419	3,587,102
Profit for the period	–	–	–	153,608	153,608
Other comprehensive income for the period	–	19,619	214,389	–	234,008
Total comprehensive income for the period	–	19,619	214,389	153,608	387,616
Dividends paid ( <i>note 6</i> )	–	–	–	(87,750)	(87,750)
At 30 September 2015 (unaudited)	<u>178,216</u>	<u>41,468</u>	<u>278,007</u>	<u>3,389,277</u>	<u>3,886,968</u>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2015

	Six months ended	
	30.9.2015 (unaudited) HK\$'000	30.9.2014 (unaudited) HK\$'000
<b>Operating activities</b>		
Profit before taxation	164,066	184,303
Adjustments for:		
Unrealised loss on investments held for trading	23,176	56
Increase in fair value of investment properties	(109,704)	(128,772)
Exchange loss on held-to-maturity investment	508	402
Depreciation of property, plant and equipment	3,349	3,403
Operating cash flows before movements in working capital	81,395	59,392
(Increase) decrease in investments held for trading	(9,313)	37,275
Other movements in working capital	(3,946)	6,371
<b>Net cash from operating activities</b>	<b>68,136</b>	<b>103,038</b>
<b>Investing activities</b>		
Increase in deposits with security brokers	(55,956)	(36,058)
Additions of investment properties	(13,296)	(228)
Purchase of property, plant and equipment	(9)	(128)
Withdrawal of bank deposits	51,570	4,005
Addition of bank deposits	–	(10,027)
<b>Net cash used in investing activities</b>	<b>(17,691)</b>	<b>(42,436)</b>
<b>Cash used in financing activity</b>		
Dividends paid	(87,750)	(33,750)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(37,305)</b>	<b>26,852</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>141,429</b>	<b>77,575</b>
<b>Cash and cash equivalents at end of the period, represented by bank balances and cash</b>	<b>104,124</b>	<b>104,427</b>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*For the six months ended 30 September 2015*

### **1. BASIS OF PREPARATION**

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

### **2. PRINCIPAL ACCOUNTING POLICIES**

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 March 2015.

In the current interim period, the Group has applied, for the first time, a new interpretation and certain amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are mandatorily effective for the current interim period. The application of the new interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### **3. SEGMENT INFORMATION**

The Group’s operating segments, based on information reported to the chief operating decision maker, the executive director of the Company, for the purposes of resource allocation and performance assessment are as follows:

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

### 3. SEGMENT INFORMATION (continued)

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

#### For the six months ended 30 September 2015

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>					
Segment revenue	18,609	59,155	3,698	81,462	81,462
Segment profit (loss)	9,156	52,613	(4,116)	57,653	57,653
Increase in fair value of investment properties					109,704
Central administrative costs					(3,291)
Profit before taxation					164,066

#### For the six months ended 30 September 2014

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Segment total <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Turnover</b>					
Segment revenue	19,495	52,528	3,107	75,130	75,130
Segment profit	9,873	45,859	2,764	58,496	58,496
Increase in fair value of investment properties					128,772
Central administrative costs					(2,965)
Profit before taxation					184,303

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

### 3. SEGMENT INFORMATION (continued)

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

	<b>30.9.2015</b> <i>HK\$'000</i>	<b>31.3.2015</b> <i>HK\$'000</i>
Godown operations	96,500	99,887
Property investment	3,518,658	3,179,823
Treasury investment	282,315	268,447
	<u>3,897,473</u>	<u>3,548,157</u>
Total segment assets		
Godown operations	2,823	3,269
Property investment	38,217	37,142
	<u>41,040</u>	<u>40,411</u>
Total segment liabilities		

### 4. PROFIT BEFORE TAXATION

	<b>Six months ended</b>	
	<b>30.9.2015</b> <i>HK\$'000</i>	<b>30.9.2014</b> <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Exchange loss, net	1,753	439

### 5. TAXATION

	<b>Six months ended</b>	
	<b>30.9.2015</b> <i>HK\$'000</i>	<b>30.9.2014</b> <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax	9,379	8,011
Deferred taxation	1,079	1,611
	<u>10,458</u>	<u>9,622</u>

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



## 6. DIVIDENDS

	Six months ended	
	30.9.2015	30.9.2014
	HK\$'000	HK\$'000
Dividends paid:		
Final dividend paid in respect of the year ended		
31 March 2015 of HK10 cents (2014: HK7 cents)		
per ordinary share	13,500	9,450
Special dividend paid in respect of the year ended		
31 March 2015 of HK55 cents (2014: HK18 cents)		
per ordinary share	74,250	24,300
	<u>87,750</u>	<u>33,750</u>

Subsequent to the end of the reporting period, the directors of the Company have proposed that an interim dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK15 cents per share, amounting to HK\$20,250,000 be paid to the shareholders of the Company, whose names appear in the register of members on 22 December 2015. The interim dividend and special dividend will be paid on around 11 January 2016.

## 7. 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\$153,608,000 (six months ended 30.9.2014: HK\$174,681,000) and on 135,000,000 (six months ended 30.9.2014: 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.

## 8. INVESTMENT PROPERTIES

	30.9.2015	31.3.2015
	HK\$'000	HK\$'000
AT FAIR VALUE		
At beginning of period/year	3,176,400	2,667,400
Additions	13,296	228
Transfer from property, plant and equipment	216,000	–
Increase in fair value recognised in profit or loss	109,704	508,772
At end of period/year	<u>3,515,400</u>	<u>3,176,400</u>

During the period, certain owned properties had 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 had been transferred from property, plant and equipment to investment properties on 16 September 2015 (the date of commencement of an operating lease). The excess of the fair value of those owned properties over the carrying amounts at the date of transfer of HK\$214,389,000 (31.3.2015: nil) was recognised in property revaluation reserve.

## 8. INVESTMENT PROPERTIES (continued)

The fair values of the majority of the Group's investment properties at 30 September 2015 amounting to HK\$3,488,000,000 (31.3.2015: HK\$3,149,000,000) 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, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuation, are members of the Hong Kong Institute of Surveyors. The valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

The fair values of the Group's investment properties as at 30 September 2015 amounting to HK\$27,400,000 (31.3.2015: HK\$27,400,000) have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. 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\$109,704,000 (six months ended 30.9.2014: HK\$128,772,000) which has been included in the condensed consolidated statement of profit or loss and other comprehensive income.

## 9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group's owner-occupied properties with carrying value of HK\$1,611,000 was transferred to investment properties upon commencement of an operating lease to a third party.

During the period, the Group acquired additional property, plant and equipment for HK\$9,000 (six months ended 30.9.2014: HK\$128,000).

## 10. 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, which approximate revenue recognition date, are as follows:

	<b>30.9.2015</b> <i>HK\$'000</i>	<b>31.3.2015</b> <i>HK\$'000</i>
Trade receivables		
Within 60 days	7,349	5,882
61-90 days	412	184
Over 90 days	9	165
	<hr/>	<hr/>
	7,770	6,231
Other receivables	6,481	1,152
Prepayments and deposits	2,841	2,981
	<hr/>	<hr/>
	17,092	10,364
	<hr/> <hr/>	<hr/> <hr/>

## 11. SHARE CAPITAL

	30.9.2015		31.3.2015	
	<i>Number of shares</i>	<i>HK\$ '000</i>	<i>Number of shares</i>	<i>HK\$ '000</i>
Issued and fully paid: Ordinary shares with no par value	<u>135,000,000</u>	<u>178,216</u>	<u>135,000,000</u>	<u>178,216</u>

## 12. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The fair value measurement of the available-for-sale investments and investments held for trading which are listed securities in Hong Kong of HK\$56,247,000 (31.3.2015: HK\$36,628,000) and HK\$78,338,000 (31.3.2015: HK\$92,201,000), respectively, are derived from quoted prices in an active market.

The valuation of available-for-sale investments and investments held for trading are categorised in Level 1 of the fair value hierarchy with the fair value derived from quoted prices (unadjusted) in active market for identical assets.

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.

## 13. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$978,000 (six months ended 30.9.2014: HK\$2,085,000).

## 14. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 11 November 2015, the Group entered into a sale and purchase agreement with Apollo Luck Limited in connection with the disposal of certain investment properties and godown properties for the aggregate consideration of HK\$1,550 million. Details of the transaction are set out in the Company's announcements dated 11 November 2015.

安全貨倉 集團

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