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安全貨倉有限公司
SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 237)

INTERIM RESULTS ANNOUNCEMENT – 2020/2021

FINANCIAL HIGHLIGHTS

- Turnover: HK\$56,234,000, a decrease of 22.5% (2019: HK\$72,558,000)
- Loss attributable to owners of the Company: HK\$99,457,000, an increase of 200.8% (2019: loss of HK\$33,060,000)
- Bank balance: HK\$595,140,000 (31.3.2020: HK\$798,077,000)
- Loss per share: HK\$0.25 (2019: loss of HK\$0.08)
- Interim dividend: HK9.00 cents per share (2019: HK2.67 cents per share)

The Board of Directors of Safety Godown Company, Limited (the “Company”) announces the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2020. These results have been reviewed by the Company’s auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” and by the Audit Committee of the Company.

For the six months ended 30 September 2020, the Group recorded loss attributable to owners of the Company approximately HK\$99,457,000 (six months ended 30 September 2019: loss of HK\$33,060,000), representing an increase of 200.8% as compared with the corresponding period in 2019. Total revenue decreased by 22.5% from HK\$72,558,000 to HK\$56,234,000. The Group’s underlying profit excluding fair value loss on investment properties increased by 108.5% to HK\$70,543,000.

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

For the six months ended 30 September 2020

	Notes	Six months ended	
		30.9.2020 (unaudited) HK\$'000	30.9.2019 (unaudited) HK\$'000
Revenue	3	<u>56,234</u>	<u>72,558</u>
Income from godown operations		7,421	11,394
Income from property investment		45,847	48,364
Interest income		1,535	10,455
Dividend income		1,431	2,345
Other gains and losses		50,028	(1,697)
Other income		771	–
Exchange gain, net		120	–
Decrease in fair value of investment properties		(170,000)	(66,900)
Staff costs		(7,401)	(7,639)
Depreciation of property, plant and equipment		(10,635)	(9,478)
Other expenses		<u>(12,562)</u>	<u>(12,859)</u>
Loss before taxation		(93,445)	(26,015)
Taxation	5	<u>(6,012)</u>	<u>(7,045)</u>
Loss for the period attributable to owners of the Company		<u>(99,457)</u>	<u>(33,060)</u>
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owner-occupied properties to investment properties		<u>–</u>	<u>70,673</u>
Other comprehensive income for the period		<u>–</u>	<u>70,673</u>
Total comprehensive (expense) income for the period attributable to owners of the Company		<u>(99,457)</u>	<u>37,613</u>
Loss per share-Basic (restated)	7	<u>(HK\$0.25)</u>	<u>(HK\$0.08)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION*At 30 September 2020*

	<i>Note</i>	30.9.2020 (unaudited) HK\$'000	31.3.2020 (audited) HK\$'000
Non-current assets			
Investment properties		3,159,600	3,351,900
Property, plant and equipment		255,037	233,559
		3,414,637	3,585,459
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")		507,046	223,208
Debt instrument at amortised cost		–	23,248
Trade and other receivables	8	31,520	27,689
Tax recoverable		756	567
Bank deposits		341,478	610,190
Other deposits		69,221	26,016
Bank balances and cash		184,441	161,871
		1,134,462	1,072,789
Current liabilities			
Other payables		31,114	30,641
Tax payable		20,333	18,333
		51,447	48,974
Net current assets		1,083,015	1,023,815
		4,497,652	4,609,274

	<i>Note</i>	30.9.2020 (unaudited) HK\$'000	31.3.2020 (audited) HK\$'000
Capital and reserves			
Share capital	<i>10</i>	178,216	178,216
Reserves		4,229,632	4,341,239
		<u>4,407,848</u>	<u>4,519,455</u>
Equity attributable to owners of the Company			
Non-current liabilities			
Long-term tenants' deposits received		16,783	18,401
Deferred tax liabilities		72,323	70,586
Provision for long service payments		698	832
		<u>89,804</u>	<u>89,819</u>
		<u>4,497,652</u>	<u>4,609,274</u>

NOTES:

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 2020 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 2020 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 policies resulting from application of amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and the application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 March 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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

2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 March 2021.

2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

2.3 Significant changes in judgements and key resources of estimation uncertainty

Fair value measurement of financial assets at FVTPL

Certain of the Group's financial assets, representing derivative financial instruments amounted to HK\$753,000 (31 March 2020: nil) as at 30 September 2020, are measured at fair value by an independent firm of professional valuers with fair values being determined based on unobservable inputs using valuation techniques. Judgements and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments.

3. REVENUE

	Six months ended	
	30.9.2020	30.9.2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Income from godown operations	7,421	11,394
Income from property investment	45,847	48,364
Dividend income from listed investments	1,431	2,345
Bank interest income	892	9,515
Other interest income	643	940
	<u>56,234</u>	<u>72,558</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 2020

	Godown operations	Property investment	Treasury investment	Segments total	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue					
Segment revenue	<u>7,421</u>	<u>45,847</u>	<u>2,966</u>	<u>56,234</u>	<u>56,234</u>
Segment profit	<u>143</u>	<u>29,246</u>	<u>51,274</u>	<u>80,663</u>	80,663
Decrease in fair value of investment properties					(170,000)
Central administrative costs					<u>(4,108)</u>
Loss before taxation					<u>(93,445)</u>

For the six months ended 30 September 2019

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

Segment profit represents the profit earned by each segment without allocation of decrease 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.

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

	30.9.2020 <i>HK\$'000</i>	31.3.2020 <i>HK\$'000</i>
Godown operations	240,129	173,385
Property investment	3,198,460	3,435,052
Treasury investment	<u>924,541</u>	<u>886,718</u>
Total segment assets	<u>4,363,130</u>	<u>4,495,155</u>
Godown operations	1,620	1,757
Property investment	38,410	39,041
Treasury investment	<u>265</u>	<u>1,175</u>
Total segment liabilities	<u>40,295</u>	<u>41,973</u>

5. TAXATION

	Six months ended	
	30.9.2020	30.9.2019
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax	4,275	4,881
Deferred taxation	1,737	2,164
	<u>6,012</u>	<u>7,045</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	
	30.9.2020	30.9.2019
	HK\$'000	HK\$'000
Dividends paid:		
Final dividend paid in respect of the year ended 31 March 2020 of HK1.00 cent (2019: HK4.00 cents) per ordinary share	12,150	16,200
Special dividend paid in respect of the year ended 31 March 2020 of nil (2019: HK29.33 cents) per ordinary share	–	118,800
	<u>12,150</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 HK9.00 cents (six months ended 30.9.2019: HK2.67 cents) per share, amounting to HK\$36,450,000 (six months ended 30.9.2019: HK\$10,800,000) will be paid to the shareholders of the Company, whose names appear in the register of members on 23 December 2020. The interim dividend will be paid on 11 January 2021.

The number of shares for the calculation of dividend per share has been adjusted for the effect of the share subdivision as detailed in note 10.

7. 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\$99,457,000 (six months ended 30.9.2019: loss of HK\$33,060,000) and on 405,000,000 (six months ended 30.9.2019: 405,000,000) shares in issue throughout the period. The number of shares for the calculation of basic loss per share has been adjusted for the effect of the share subdivision as detailed in note 10.

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

8. 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:

	30.9.2020 <i>HK\$'000</i>	31.3.2020 <i>HK\$'000</i>
Within 30 days	2,700	2,313
31-60 days	999	731
61-90 days	154	272
Over 90 days	12	4
	<u>3,865</u>	<u>3,320</u>

9. RELATED PARTY DISCLOSURES

The remuneration of directors and other members of key management during the period was HK\$549,000 (six months ended 30.9.2019: HK\$591,000).

10. SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 30 September 2019 and 31 March 2020	135,000,000	178,216
Addition during the period due to share subdivision (<i>note</i>)	270,000,000	–
	<u>405,000,000</u>	<u>178,216</u>

Note: On 18 August 2020, the Company subdivided one share of the Company into three shares of the Company by way of converting every one share of the Company into three shares of the Company. All the shares rank pari passu in all respects.

BUSINESS REVIEW

During the six months ended 30 September 2020 (the “Period”) under review, the global economy was still buffeted by the COVID-19 pandemic spread. In Hong Kong, the uncertainties in relation to the inflicted tension between the US and China, US sanctions on Hong Kong and the resurgence of infection cases in Hong Kong further exacerbated the lackluster local economic condition and continued to suppress the office leasing demand and rents. The Group's existing and prospective tenants became more prudent at the time of negotiating lease terms and rents.

Godown Operations Segment

Revenue generated from the godown operations segment during the Period decreased approximately 34.9% to HK\$7,421,000 (six months ended 30 September 2019: HK\$11,394,000). The profit of the godown operations segment fell approximately 95.5% to HK\$143,000 (six months ended 30 September 2019: HK\$3,183,000). During the Period under review, average rent per cubic meter increased from HK\$74 for the six months ended 30 September 2019 to HK\$86, whilst the average occupancy rate decreased from approximately 72% for the six months ended 30 September 2019 to 40.2%.

Property Investment Segment

Total rental income from the investment properties segment fell by 5.2% to HK\$45,847,000 (six months ended 30 September 2019: HK\$48,364,000), whilst the segment profit fell to HK\$29,246,000 (six months ended 30 September 2019: HK\$32,425,000). The decrease in segment profit was mainly due to the rent concessions provided to tenants and the decrease in average occupancy rate of Lu Plaza. The average occupancy rate of Lu Plaza decreased from approximately 84.8% for the six months ended 30 September 2019 to 80.1% during the Period.

Treasury Investment Segment

Revenue from the treasury investment segment decreased by approximately 76.8% to HK\$2,966,000 (six months ended 30 September 2019: HK\$12,800,000). The segment profit increased approximately 444.9% to HK\$51,274,000 (six months ended 30 September 2019: HK\$9,410,000) which was mainly attributable to the fair value gain on financial assets at fair value through profit or loss, including realised gain of HK\$11,903,000 and unrealised gain of HK\$38,105,000.

OUTLOOK

The persistent outbreak of COVID-19 pandemic has forced corporates to review and recalibrate their pre-crisis development strategies and planning based on assessments on their actual and perceived potential impacts from the pandemic. Hopes of a quick and sustained economy rebound have become diminished as the result of the prolonged worldwide pandemic which has caused restrictions on mobility, tourism and business activity. Whilst many countries have made every effort to avoid large-scale lockdowns in a bid to rekindle the momentum of economic activity and resume the normal life, a full-blown recovery will be yet to be seen until the successful development and application of a high efficacy vaccine on extensive basis because the uncertainty on duration and threat of rebound in infection cases from time to time could become a permanent stalemate of global economic recovery. Looking forward from the abovementioned circumstances, the global economic outlook for 2021 is expected to continue to encounter numerous challenges and uncertainties amid the prevailing political headwinds and global business environment.

During the Period under review, overall office rents in Hong Kong recorded downward trend. The ample office supply in Kowloon East resulted in higher vacancy rate and decline in rental level in the Kwun Tong area where the Group's major investment property Lu Plaza is situated at. Accordingly, the Group will continue to adopt flexible approach with appropriate incentives when dealing with new leases and renewals of tenancy. Barring any unforeseen circumstances, the Board believes that the Group's rental income will remain stable against the initial impact of the pandemic crisis.

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

FINANCIAL REVIEW

Condensed consolidated statement of profit or loss and other comprehensive income

During the Period, the Company's total revenue reached HK\$56,234,000, including income from godown operations segment of HK\$7,421,000, property investment segment of HK\$45,847,000 and treasury investment segment of HK\$2,966,000 in total, comprising interest income of HK\$1,535,000 and dividend income of HK\$1,431,000. The revenue of the three segments decreased approximately 34.9%, 5.2% and 76.8%, respectively comparing to the last corresponding period.

During the Period, the Group recognised HK\$771,000 in respect of COVID-19 subsidy, which relates to Employment Support Scheme provided by the Hong Kong Government.

During the Period, the Group recorded a fair value loss on investment properties of HK\$170,000,000 (six months ended 30 September 2019: HK\$66,900,000) which had been included in the condensed consolidated statement of profit or loss and other comprehensive income.

Staff costs fell 3.1% to HK\$7,401,000 (six months ended 30 September 2019:HK\$7,639,000).

Depreciation of property, plant and equipment increased to HK\$10,635,000 (six months ended 30 September 2019: HK\$9,478,000) mainly because an investment property was converted into self-operated godown use which thus incurred additional depreciation.

Other expenses slightly fell to HK\$12,562,000 (six months ended 30 September 2019: HK\$12,859,000).

Condensed consolidated statement of financial position

The Company's net asset value stood at HK\$4,407,848,000, mainly comprising HK\$3,159,600,000 of investment properties, HK\$255,037,000 of property, plant and equipment (mainly the Group's self-occupied godown building situated at Kwai Chung), HK\$507,046,000 of financial assets at fair value through profit or loss and other current assets, including cash and bank balances together with bank and other deposits.

The carrying amount of the investment properties decreased as a result of a downward adjustment in their fair value with reference to valuations carried out by independent professional valuers and by the Directors on an open market basis as at 30 September 2020.

Financial assets at fair value through profit or loss increased by 127.2% to HK\$507,046,000 mainly due to the investment of non-physical gold of 14,000 ounces and the increase in the portfolio's fair value. Cash and deposits (including those deposits in the investment accounts) decreased by 25.4% to HK\$595,140,000 (31 March 2020: HK\$798,077,000).

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 September 2020, the Group had cash and bank balances of HK\$595,140,000 (31 March 2020: HK\$798,077,000) and the total current liabilities amounted to HK\$51,447,000 (31 March 2020: HK\$48,974,000). Current ratio stood at approximately 22.05 times (31 March 2020: 21.91 times) and the Group had no bank borrowings.

Net assets of the Group recorded lower by approximately 2.5% to HK\$4,407,848,000 (31 March 2020: HK\$4,519,455,000) and the net asset value per share decreased to HK\$10.88 which is calculated based on 405,000,000 shares in issue (the Company subdivided one share of the Company into three shares of the Company by way of converting every one share of the Company into three shares of the Company on 18 August 2020 (the "Share Subdivision")) (31 March 2020: HK\$11.16 after adjustment for the effect of Share Subdivision).

EMPLOYEES

As at 30 September 2020, the Group had a total of 34 (31 March 2020: 34) employees. Remuneration is determined on the basis of qualifications, experience, responsibilities and performance. During the Period, staff costs (including Directors' emoluments) decreased by approximately 3.1% to HK\$7,401,000 (six months ended 30 September 2019: HK\$7,639,000).

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 has not adopted any share option scheme for employees.

EXPOSURE TO FOREIGN EXCHANGE

The Group's foreign currency exposure principally related to its investment in US dollar securities and deposits. Since the Hong Kong dollar is pegged to the US dollar, the management is of the opinion that the foreign exchange risk of financial instruments denominated in US dollar is insignificant. During the Period, the Group recorded an exchange gain of HK\$120,000 (six months ended 30 September 2019: nil).

CONTINGENT LIABILITES

As at 30 September 2020, the Group did not have any significant contingent liabilities (31 March 2020: nil).

PLEDGE OF ASSETS

As at 30 September 2020, the Group did not have any pledge of assets (31 March 2020: nil).

INTERIM DIVIDEND

The Board of Directors has declared an interim dividend of HK9.00 cents for the six months ended 30 September 2020 (2019: HK2.67 cents after adjustment for the effect of Share Subdivision) per share payable to the shareholders of the Company, whose names appear on the register of members on 23 December 2020. The interim dividend will be paid on 11 January 2021.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Friday, 18 December 2020 to Wednesday, 23 December 2020, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 17 December 2020.

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.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving and maintaining high standards of corporate governance practices for the purpose of providing a framework and solid foundation for its business operation and development. Effective corporate governance provides integrity, transparency, accountability which contributes to the corporate success and enhancement of shareholder value.

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the six months ended 30 September 2020 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

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

Since 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this announcement. The Board has kept review of its current structure from time to time. If any candidate with suitable skills and experiences is identified within or outside the Group, the Company will make necessary appointment to fill these positions in due course. Currently, the Board collectively performs the responsibilities of the Chairman while with the assistance of the senior management, Executive Director continues to monitor the business and operation of the Group.

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

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

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 14 August 2020 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 positions of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reports to the Executive Director of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct governing dealing by all directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the six months ended 30 September 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the respective websites of Hong Kong Exchanges and Clearing Limited www.hkex.com.hk and of the Company www.safetygodown.com on 25 November 2020. The interim report for the six months ended 30 September 2020 containing all the information required by the Listing Rules will be published on the above websites and despatched to shareholders in due course.

By Order of the Board
Safety Godown Company, Limited
Lu Wing Yee, Wayne
Executive Director

Hong Kong, 25 November 2020

As at the date of this announcement, the Board of Directors of the Company consists of: –

Mr. Lu Wing Yee, Wayne	<i>Executive Director</i>
Mr. Lee Ka Sze, Carmelo	<i>Non-executive Director</i>
Mr. Lam Ming Leung	<i>Independent Non-executive Director</i>
Mr. Leung Man Chiu, Lawrence	<i>Independent Non-executive Director</i>
Ms. Oen Li Lin	<i>Independent Non-executive Director</i>