

Annual Report
年報 2015



安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)



Chairman Lu Sin (1924-2015)

呂辛董事長 (1924-2015)



Contents

	<i>Page</i>
Corporate Information	2
Our Deepest Condolences to Chairman Lu Sin	3
Biographical Information of Directors and Senior Management	4
Five Year Financial Summary	5
Executive Directors' Statement	6-7
Corporate Governance Report	8-15
Directors' Report	16-27
Independent Auditor's Report	28
Consolidated Statement of Profit or Loss and Other Comprehensive Income	29
Consolidated Statements of Financial Position	30
Consolidated Statement of Changes in Equity	31
Consolidated Statement of Cash Flows	32
Notes to the Consolidated Financial Statements	33-68
Particulars of Major Properties	69

Corporate Information

DIRECTORS

Executive Directors

Mr. Lu Sin (*Chairman and Managing Director*)
(Deceased on 5 April 2015)
Mr. Lu Wing Yee, Wayne
Mr. Oen Min Tjin

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

COMPANY SECRETARY

Mr. Wong Leung Wai

BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Tokyo-Mitsubishi UFJ
Industrial and Commercial Bank of
China (Asia) Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

KEY DATES

Final Results Announcement
Annual General Meeting
Closure of Register of Members

Record Date for Final Dividend
and Special Dividend
Payment of Final Dividend
and Special Dividend

25 June 2015
14 August 2015
i) 11 to 14 August 2015 (both days inclusive)
ii) 20 to 24 August 2015 (both days inclusive)
24 August 2015

on or around 7 September 2015

AUDIT COMMITTEE

Mr. Gan Khai Choon (*Chairman*)
Mr. Lee Ka Sze, Carmelo
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)
Mr. Lu Sin (Deceased on 5 April 2015)
Mr. Lee Ka Sze, Carmelo
Mr. Leung Man Chiu, Lawrence
Mr. Gan Khai Choon

REGISTERED OFFICE

Units 1305-1306, 13th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

237

Our Deepest Condolences to Chairman Lu Sin

Mr. Lu Sin, the founder, chairperson and managing director of the Group, dedicated his whole life to founding enterprises. For decades, he spearheaded the Group's development through continuous expansion and diversification. Mr. Lu Sin was innovative, strategic, triumphant and visionary. He was also an icon of distinguished success. The Board and members of the Group are deeply saddened by his passing. The virtues of Mr. Lu Sin will be emblazoned in our minds and hearts, and we will uphold his spirit and forge ahead by taking the Group to the next level.

While Chairman Lu Sin founded his empire with very limited resources initially, he worked tirelessly not only to ensure commercial success, but also for the betterment of society. In fact, the development timeline of the Safety Godown Group reflects how Chairman Lu Sin always lived up to this honourable and gallant calling.

Safety Godown Company, Limited was founded in 1960 and a year later, the land on Hoi Bun Road in Kwun Tong was acquired and Safety Godown 1 was built. In July 1963, a godown comprising 120,000 square feet of space was completed and began to serve the community. Subsequently, the land located at Wing Yip Street in Kwun Tong was purchased to build two single-storey warehouses – Safety Godown 2 and Safety Godown 3. The two godowns were merged into a 250,000 square feet godown facility in the early 1970s. In 1973, Safety Godown Company, Limited was listed and began venturing into real estate, developing a long list of highly-praised premium properties, including the On Fat Building in Kennedy Town, On Luen Building in Tsim Sha Tsui, as well as Amber Garden in mid-level – a collaborative project with S E A Holdings Limited. An industrial building in Kwai Chung was acquired in 1975, to which five levels with a building area of 450,000 square feet were added. In 1978, land in Chai Wan was purchased for the constructions of the Safety Godown Industrial Building for sale and Chivas Godown. Chivas Godown has a total 450,000-square-foot warehouse space, with a waterfront for direct cargo loading across ship decks, was designed to facilitate highly efficient mechanical operation. In 1992, Chairman Lu Sin bought a modern godown, Safety Godown 5 at Yau Tong, bringing the Group's ownership of godown space to more than 1 million square feet. Under his leadership, the godown operation has been well-managed in every respect, offering sincere and reliable services and building an exceptional reputation.

Chairman Lu Sin was a visionary of the business world. He redeveloped Safety Godown 2 and 3 into Lu Plaza in 1993 – a grandiose high-rise industrial and office building occupying over 550,000 square feet of space. Back then, Kwun Tong was still an industrial area, but it is now gradually becoming a premium business district. Thanks to the groundbreaking and trendsetting efforts of the bold pioneer Mr. Lu Sin. Over recent years, Lu Plaza has been undergoing a revitalization, which will further enhance the value and service quality of the premises.

Every year, Chairman Lu Sin personally hosted the annual general meeting of the Company, during which he would sincerely exchange ideas with shareholders and humbly listen to their input for future business improvements. Mr. Lu Sin always strived to protect the interests of his shareholders, based on his policy of being fair, just, and reasonable. The Group has maintained a high level of transparency in terms of its dividend distribution, and Chairman Lu Sin made sure that shareholders received as high a yield as possible from their dividends. Over the past decades, Safety Godown Company, Limited has weathered the ups and downs with Hong Kong – we overcame the financial crisis and the financial tsunami; we found resilience in adversity; we have been synonymous with robustness and as such have been highly recommended by our shareholders.

Chairman Lu Sin cared about his staff and spared no effort when it came to offering guidance to the younger generation. He was the best boss anyone could ask for. As a role model for the modern entrepreneur, he was always noble and virtuous.

Chairman Lu Sin was also a very charitable man. He was a benefactor of the Hong Kong Chinese Orchestra, the Evangel Children's Home, Kwong Yum Home for the Aged, Po Leung Kuk, Fukien Secondary School and the Community Chest of Hong Kong. He helped to sponsor primary schools in China operated under the Hong Kong Fujian Charitable Education Fund. Over the years, Mr. Lu Sin donated more than 200 million dollars for educational development and public welfare services in the mainland. His donations have been used to construct more than 200 academic buildings and campuses, to set up a number of student grants, to assist in the greening and beautification of campus environments and to acquire classroom equipment.

Chairman Lu Sin was appointed as an advisor on Hong Kong Affairs to the Government of the People's Republic of China, a member of the Selection Committee for electing the first Chief Executive of the Hong Kong Special Administrative Region, an advisor for the All-China Federation of Returned Overseas Chinese, the honorary chairperson of Association of Foreign Investment Enterprise of Fujian Province, and the honorary chairman of Fujian Hong Kong Economic Development Association, to name a few of his titles.

As for higher education duties, Chairman Lu Sin was also appointed an honorary fellow of The University of Hong Kong, a director of The University of Hong Kong Foundation for Educational Development and Research and a member of the Foundation's Members Affairs Committee. He was also appointed as director and visiting professor of the Renmin University of China, and an honorary director of the Chaoyang Legal Research Center of the Renmin University of China, among other positions.

Mr. Lu Sin was exemplary for his virtuousness and nobility. His kindness and righteousness will live on. He will always be fondly remembered.

振翼東亞創業香江龍蟠故里丹心永繫家國，
萬流榮神依仁儒學雨潤蒼生義德長昭典模！

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lu Sin, passed away on 5 April 2015, was the founder of the Group and the Chairman and Managing Director of the Company. He was the Chairman and Managing Director of Kian Nan Financial Limited, and the Permanent Managing Director of Fu Nan Enterprises Company Limited, all being substantial shareholders of the Company. He was also the Co-founder of Kian Nan Trading Co Limited. He had extensive experience in public godown operation, property development, textile industry and international trading. Mr. Lu was the Honorary President of Fujian Hong Kong Economic Development Association Limited and the Honorary President of Fujian Association of Enterprises with Foreign Investment. He was appointed as an Advisor on Hong Kong Affairs to the Government of the People's Republic of China and had been a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. He had also been, a member of the University Court of The University of Hong Kong and an Honorary Director and a member of the Membership Committee of The University of Hong Kong Foundation for Educational Development and Research. Mr. Lu was also an Honorary Professor of the Post-graduate School of the Chinese Academy of Social Science and an Honorary Fellow of The University of Hong Kong. Mr. Lu Sin was the father of Mr. Lu Wing Yee, Wayne, Executive Director of the Company.

Mr. Lu Wing Yee, Wayne, aged 41, was appointed as an Executive Director of the Company on 12 December 2008. He joined the Group in July 2001, and prior to his appointment as Executive Director has acted as a Group Manager of the Group in charge of day-to-day operation of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu is a member of The American Institute of Certified Public Accountants. He has a master degree in business administration, a bachelor degree of science in business administration and a diploma in risk management. Mr. Lu has previously worked for audit firm, securities and brokerage firm and listed property company. He is the son of Mr. Lu Sin, the late Chairman of the Company.

Mr. Oen Min Tjin, aged 78, has been a Director of the Company since 2004. Mr. Oen acted as an Independent Non-executive Director from 28 September 2004 to 16 June 2006 and has been an Executive Director since 16 June 2006. Mr. Oen graduated from National Taiwan University. Mr. Oen is a Director of Ramada Bintang Bali Hotel, Bali, Indonesia. Mr. Oen was with Kian Nan Trading Co., Ltd. from 1961 to 1978. Mr. Oen was the Managing Director of ANTA Express from 1978 to 2005.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, JP, aged 55, has been a Director of the Company since 2000. Mr. Lee acted as an Independent Non-executive Director from 1 July 2000 to 28 September 2004 and has been a Non-executive Director since 28 September 2004. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a Non-executive Director of several listed public companies in Hong Kong, namely CSPC Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited and Hopewell Holdings Limited. Mr. Lee is also an Independent Non-executive Director of several listed public companies in Hong Kong, namely KWG Property Holding Limited, Ping An Insurance (Group) Company of China, Ltd. and Esprit Holdings Limited. Mr. Lee is also the Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee, a member of the SFC Dual Filing Advisory Group, and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 69, has been an Independent Non-executive Director of the Company since 1990. He is also an Executive Director of City e-Solutions Limited (formerly known as CDL Hotels International Limited, a company listed in The Stock Exchange of Hong Kong Limited) and Managing Director of Hong Leong International (Hong Kong) Limited. Mr. Gan has extensive experience in finance, property development, hotel management and international trading.

Mr. Lam Ming Leung, aged 63, has been an Independent Non-executive Director of the Company since 1 January 2004. Mr. Lam was a director and general manager of The National Commercial Bank Limited, Hong Kong Branch.

Mr. Leung Man Chiu, Lawrence, aged 67, has been an Independent Non-executive Director of the Company since 16 June 2006. He is also an Independent Non-executive Director of Pak Fah Yeow International Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 40 years. He has extensive experience in accounting and auditing and had served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practicing as a partner in Tang and Fok.

ASSISTANT GENERAL MANAGER

Mr. Huang Hwei Ru, aged 66, was appointed as an Assistant General Manager of the Company on 1 March 2013. Mr. Huang joined the Group since 1976 and was Chivas Godown Supervisor since 1991.

Five Year Financial Summary

	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Turnover					
Godown operations	38,141	38,560	32,752	31,150	22,262
Property investment	111,347	96,280	84,030	76,222	68,480
Treasury investment	6,928	4,316	2,976	4,569	4,872
	<u>156,416</u>	<u>139,156</u>	<u>119,758</u>	<u>111,941</u>	<u>95,614</u>
Profit attributable to owners of the Company					
Godown operations	22,568	22,258	19,090	16,615	7,738
Property investment	90,168	81,428	63,590	54,666	52,167
Treasury investment	2,928	(10,100)	6,787	3,891	45,430
Increase in fair value of investment properties	508,772	132,494	754,508	251,635	275,540
Other administrative cost	(5,930)	(4,585)	(4,863)	(5,262)	(5,958)
Profit before taxation	618,506	221,495	839,112	321,545	374,917
Taxation	(19,236)	(16,838)	(14,992)	(12,618)	(15,363)
Profit for the year attributable to owners of the company	<u>599,270</u>	<u>204,657</u>	<u>824,120</u>	<u>308,927</u>	<u>359,554</u>
Consolidated Statement of Financial Position					
Total assets	3,692,256	3,136,730	2,973,523	2,176,067	2,036,721
Total liabilities	(105,154)	(97,385)	(92,462)	(82,208)	(82,221)
Equity attributable to owners of the company	<u>3,587,102</u>	<u>3,039,345</u>	<u>2,881,061</u>	<u>2,093,859</u>	<u>1,954,500</u>
Per Share					
Earnings per share	HK\$4.44	HK\$1.52	HK\$6.10	HK\$2.29	HK\$2.66
Dividends per share	85 cents	36 cents	35 cents	HK\$1.19	29 cents
Dividend payout ratio (Note 1)	126.80%	67.35%	67.88%	280.41%	46.60%
Net asset value per share	HK\$26.57	HK\$22.51	HK\$21.34	HK\$15.51	HK\$14.48
Ratios					
Return on average shareholders funds	18.09%	6.91%	33.13%	15.26%	20.03%
Current ratio (Note 2)	13.17:1	9.90:1	11.08:1	11.34:1	9.32:1
Gearing ratio (Note 3)	—	—	—	—	—

Notes:

- The dividend payout ratio is calculated based on the total dividend distribution including the interim dividend paid and final dividend and special dividend proposed for the year and the profit for the year attributable to shareholders after adjusting the effect on fair value changes in investment properties.
- The current ratio for 2012 has been restated in order to conform with current year's presentation. The restatement for periods prior to 2012 has not been made because it would require undue cost as compare to the benefit derive from the information.
- Gearing ratio is calculated at the ratio of total interest bearing loans to total assets of the Group at balance sheet date. As there were no borrowings during the past 5 years, the gearing ratio for the 5 years were therefore equal to zero.

Executive Directors' Statement

We are pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2015.

DIVIDENDS

This year is the Group's 55th Anniversary, the Board of Directors has resolved to recommend the payment of a final dividend of HK10 cents per share, amounting to HK\$13,500,000 and a special dividend of HK55 cents per share, amounting to HK\$74,250,000 for the year ended 31 March 2015, to shareholders whose names appear on the register of members on 24 August 2015 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final dividend and special dividend will be despatched to shareholders on or around 7 September 2015. Together with the interim dividend of HK7 cents per share and special dividend of HK13 cents per share already paid, the total distribution for the year ended 31 March 2015 will be HK85 cents per share. Total distribution for the previous year was HK36 cents per share.

BUSINESS REVIEW

During the reporting period, global economics was still recovering from the crisis. Deep-seated and structural problems of different countries are yet to be solved. Due to the slowdown of the U.S. economic recovery, there was no urgency in raising the interest rate.

With low interest rate, the property prices in Hong Kong had repeatedly reached new highs, indirectly weakening the spending power of consumers.

The weak growth of global import demand and domestic demand had affected the godown business in Hong Kong. Fortunately, as majority of the products stored in our Group's godown were still paper materials, performance of our godown business was rather stable. The annual godown rental income recorded a slight decrease of 1%. Nonetheless, further streamlining has raised cost-effectiveness, leading to an increase in profits by 1%. Also, there was a steady rise in the rental income and profit from investment properties, each of which increased by 16% and 11% respectively.

Income from financial investments income recorded an increase of 61% with a profit of HK\$2,928,000, while a loss of HK\$10,100,000 was recorded in the same period last year.

OUTLOOK

With further improvement in the U.S. labor market and dissipation of economic resistance, we are confident that inflation rate will increase by a target rate of approximately 2%. It is expected that the Federal Reserve Board will raise the interest rate in the second half of this year to proceed with the normalization of the monetary policy. With this, the property prices in Hong Kong is anticipated to go down.

Since China cut its tariff rate sharply to stimulate its domestic demand and boost its economy, its prices of consumer goods will be competitive to those of Hong Kong. Furthermore, as tourists visiting Hong Kong tend to be younger with lower spending power, the retail business in Hong Kong may be further aggravated and the godown business in Hong Kong may be thwarted.

The revitalization of Lu Plaza has entered a substantive stage. Starting from June, the project has been carried out gradually according to the plan. The Group implements strict project supervision, emphasizing that every single process must meet the Buildings Department's regulations and requirements regarding non-industrial use buildings. Completion of the whole revitalization project is expected to take place by early 2017. During revitalization, inconveniences to tenants may be caused and the lease-out rate may drop slightly. In order to ensure smooth completion of the project and maintain the lease-out rate, the Group will endeavour to minimize such negative impacts on the tenants. Lu Plaza will become a commercial building after revitalization, leading to a change in the nature of tenancies. The leasing department will strive to attract a variety of sources of tenants for higher rental income.

Executive Directors' Statement

While the Group has had several negotiations and discussions in relation to the with potential sale of the property located at Kwok Shui Road, Kwai Chung, no consensus was reached. Currently, the Group is for the time being considering to renovate certain floors of the godown and to carry on the business. Furthermore, certain real estate agents have recently expressed their clients' interest in acquiring the Group's property of Chivas Godown located at 60 Ka Yip Street, Chai Wan on the Hong Kong Island, the Group is studying carefully. The Group will at the same time continue to consider any other business opportunities of economic benefits and continue to strive to enhance shareholders value. Should there be any notifiable information, the Group would make appropriate disclosure to the shareholders as soon as possible.

CONDOLENCE

Our Group founder and late Chairman Mr. Lu Sin passed away on 5 April 2015, the Board of Directors and management of Safety Godown Group extend our deepest sympathy and sincerest condolences to his family.

We will be forever grateful for Chairman Lu's contributions towards the establishment and growth of the Group. All of us will uphold his aspiration and accelerate the Group's performance to the new heights.

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Hong Kong, 25 June 2015

Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “Listing Rules”). The corporate governance principles of the Company emphasize a quality board, sound internal controls, and transparency and accountability to all Shareholders.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code throughout the year ended 31 March 2015 except for the following deviations from code provisions A.2.1, A.4.1 and D.1.4.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lu Sin, deceased on 5 April 2015, was the Chairman and the Chief Executive Officer of the Company. He was the founder and a substantial shareholder of the Company and had considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as over one-third of the Board members are represented by Independent Non-executive Directors throughout the year. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Chairman is responsible for ensuring that directors receive adequate information in a timely manner.

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. However, 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.

The Company 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.

DIRECTORS’ SECURITIES TRANSACTIONS

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 year ended 31 March 2015.

BOARD OF DIRECTORS

The Board is currently composed of two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Over one-third of the Board members are Independent Non-executive Directors which enables the Board to exercise independent judgement effectively. An updated list of directors of the Company and their respective roles and functions have been maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited. The composition of the Board is shown below.

Of the directors, the late Mr. Lu Sin is the father of Mr. Lu Wing Yee, Wayne. Other than this, there is no financial, business, family and other material relationship among other members of the Board. Biographies of the Directors which include relationship among members of the Board are set out on page 4 under the subject Biographical Information of Directors and Senior Management.

Corporate Governance Report

BOARD OF DIRECTORS (Continued)

The Company held an annual general meeting and five board meetings during the year. Details of Directors' attendance records are as follows:

Composition of the Board	Attended/Number of meetings held during the year	
	Board Meetings	Annual General Meeting
<i>Executive Directors</i>		
Mr. Lu Sin (<i>Chairman and Managing Director</i>) (Deceased on 5 April 2015)	0/5	0/1
Mr. Oen Min Tjin	5/5	1/1
Mr. Lu Wing Yee, Wayne	4/5	0/1
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	5/5	0/1
<i>Independent Non-executive Directors</i>		
Mr. Gan Khai Choon	5/5	0/1
Mr. Lam Ming Leung	5/5	0/1
Mr. Leung Man Chiu, Lawrence	5/5	0/1

Board members are supplied with agenda and comprehensive Board papers in respect of regular Board meetings at least three days before the intended date of meeting. Board minutes are sent to all Directors within a reasonable time after each Board meeting for their comment and records.

Responsibilities over day-to-day operations are delegated to the management under the leadership of the Executive Directors. The Board meets regularly to review the overall strategy and to monitor the operation as well as the financial performance of the Group.

The types of decisions which are to be taken by the Board include:

- the strategic plans and directions, and financial objectives of the Group;
- monitoring the performance of the management;
- implementing and monitoring an effective framework of internal controls and risk management;
- ensuring that the Company has good corporate governance and is in compliance with applicable laws and regulations.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

The Board has a balance of skills and experience and diversity of perspective appropriate to the requirements of the Group's business. All Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the Directors.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

Directors are provided with timely updates on changes in laws and compliance issues relevant to the Group. The Company also encourages its directors to enroll in relevant professional development courses to continually update and further improve their relevant knowledge and skills.

The Company has provided funding to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2015, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

Corporate Governance Report

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT (Continued)

The training each Director received during the year ended 31 March 2015 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters
<i>Executive Directors</i>	
Mr. Lu Sin (Deceased on 5 April 2015)	√
Mr. Lu Wing Yee, Wayne	√
Mr. Oen Min Tjin	√
<i>Non-executive Director</i>	
Mr. Lee Ka Sze, Carmelo	√
<i>Independent Non-executive Directors</i>	
Mr. Gan Khai Choon	√
Mr. Lam Ming Leung	√
Mr. Leung Man Chiu, Lawrence	√

CHAIRMAN AND CHIEF EXECUTIVE

During the year, the late Mr. Lu Sin assumed the roles of both the Chairman and Chief Executive Officer of the Company. The reasons for the deviation from the Code provision A.2.1 are explained in the section headed "Corporate Governance" above. 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 not been filled up as at the date of this report.

NON-EXECUTIVE DIRECTORS

There are currently four Non-executive Directors, three of them are independent. All the Non-executive Directors of the Company are subject to retirement by rotation at least once every three years. They have brought independent judgement and provided the Group with invaluable guidance and advice on the Group's development.

BOARD COMMITTEES

The Board has established two committees, the Remuneration and Nomination Committee and the Audit Committee, each of which has its specific written terms of reference.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in April 2004. A majority of the members are Independent Non-executive Directors. The Committee is currently comprised of four members including one Non-executive Director and three Independent Non-executive Directors. The Committee is chaired by Mr. Lam Ming Leung. The other members are Mr. Lee Ka Sze, Carmelo, Mr. Leung Man Chiu, Lawrence and Mr. Gan Khai Choon.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on issues including new appointment and re-appointment of Directors and senior management; review management succession planning for senior management of the Company; formulate, review and determine/make recommendation to the Board on the remuneration policy and packages of all Directors and senior management; and review and approve compensation packages, roles and responsibilities and performance assessment of employees of the Group.

New directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. The emoluments of Directors are based on the skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Remuneration and Nomination Committee (Continued)

During the year, two meetings were held and the attendance records of individual members at Remuneration and Nomination Committee meeting are as follows:

Name	Number of meetings attended/held
Mr. Lam Ming Leung	2/2
Mr. Lu Sin (Deceased on 5 April 2015)	0/2
Mr. Lee Ka Sze, Carmelo	1/2
Mr. Leung Man Chiu, Lawrence	2/2
Mr. Gan Khai Choon	2/2

The work done by the Remuneration and Nomination Committee during the year includes the following:–

- (a) making recommendation to the board on the re-appointment of directors;
- (b) assessing the independence of the independent non-executive directors;
- (c) reviewing and approving the annual salary and bonus for staff of the Group;
- (d) reviewing and approving the remuneration to executive directors and senior management; and
- (e) making recommendation to the board on the remuneration for non-executive directors.

The Remuneration and Nomination Committee is provided with sufficient resources, including the advice of professional firms if necessary, to discharge its duties.

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in ensuring an effective system for meeting its external financial reporting obligations and internal control and compliance.

The Audit Committee comprises of three Independent Non-executive Directors and one Non-executive Director. The Committee is chaired by Mr. Gan Khai Choon. The other members are Mr. Lam Ming Leung, Mr. Leung Man Chiu, Lawrence and Mr. Lee Ka Sze, Carmelo. Both Mr. Gan and Mr. Leung possessed appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

The principal duties of the Audit Committee include the review of the financial reporting, internal control and risk management systems of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

During the year, two meetings were held and the attendance records are as follows:

Name	Number of meetings attended/held
Mr. Gan Khai Choon	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Lam Ming Leung	2/2
Mr. Leung Man Chiu, Lawrence	2/2

Corporate Governance Report

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the year, the Audit Committee had reviewed and discussed the following matters with the external auditors:

- (i) the accounting principles and policies adopted by the Group;
- (ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 March 2015;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 September 2014;
- (iv) any significant findings by the independent auditor during the financial audit and other audit issues;
- (v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and
- (vi) the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

All matters raised by the Audit Committee have been addressed by the Management. The work and findings of the Audit Committee have been reported to the Board. During the year, no issues brought to the attention of Management and the Board were of sufficient importance to require disclosure in the Annual Report.

CONSTITUTIONAL DOCUMENT

In order to bring the existing articles of the Company in line with the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into effect on 3 March 2014 and given the numerous changes brought about by the new Companies Ordinance, Shareholders has passed a special resolution for the adoption of the Articles of Association at the annual general meeting held in August 2014, consolidating all previous and proposed amendments, to replace the memorandum of association and the existing articles of association. A copy of the Articles of Association is posted on the websites of the Company and the Stock Exchange.

AUDITOR'S REMUNERATION

The Board agrees with the Audit Committee's proposal for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditor for 2016. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 14 August 2015.

During the year, fees paid/payable to Deloitte for providing audit services and non-audit services are as follows:

Nature of services	2015 HK\$	2014 HK\$
Review fee for interim results	132,800	130,800
Audit fee for final results	861,000	820,000
Taxation consultancy services fee	125,000	122,600
Total audit and non-audit services	<u>1,118,800</u>	<u>1,073,400</u>

Corporate Governance Report

ACCOUNTABILITY

The Board is accountable for the proper stewardship of the Group's affairs, and the Directors acknowledge their responsibility for preparing the financial statements of the Company in accordance with generally accepted accounting standards in Hong Kong, the requirements of the Listing Rules and applicable laws as well as the integrity of the financial information so reported. Such responsibility is extended to cover not only the annual and interim reports but also announcements and other financial disclosures of the Company required under the Listing Rules.

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Report of the Independent Auditor to the Shareholders is set out on page 28 of this Annual Report. The management of each business within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets, and for reviewing its effectiveness.

The Group has a clear organisational structure with well defined responsibilities, reporting lines and authority limits and budgetary controls on managers of operating divisions. The scope of internal controls and risk management covering financial, operational and compliance areas, and control procedures are to identify and manage risks.

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to manage risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. In developing our internal control system, we have taken into consideration our organization structure and the nature of our business activities.

The Board reviews the effectiveness of the Company's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget, on a continuous and regular basis.

The Board has conducted a review of the effectiveness of the system of internal control and risk management of the Group for the financial year ended 31 March 2015. The Board has also engaged an external consultant to independently assess the Group's system of internal control and risk management. Recommendations have been suggested to and adopted by the Board in order to enhance the Group's system of internal control and minimise operational risk.

The Board is of the view that the Company has the appropriate accounting system and adequate human resources to discharge the financial reporting function of the Group for the year ended 31 March 2015. Training programmes and budget will be provided from time to time for further enhancement.

COMMUNICATION WITH SHAREHOLDERS

In addition to sending annual reports, interim reports, circulars and notices to the Shareholders, the Company also makes these materials, which contain extensive information about the Group's activities, timely available for access by Shareholders at both the Stock Exchange's and the Company's own websites.

The Company encourages the Shareholders to attend annual general meetings and all its other shareholders' meetings to discuss progress and matters. The Chairman of the Board and other Directors are available at these meetings to answer Shareholders' questions. In accordance with Rule 13.39(4) of the Listing Rules, all the resolutions to be proposed at the 2015 Annual General Meeting will be decided on poll. The Company's share registrars in Hong Kong will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with Rule 2.07C of the Listing Rules as soon as possible on the websites of the Stock Exchange and the Company respectively. The Chairman of shareholders' meeting will ensure that any vote of shareholders at the 2015 Annual General Meeting (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

(a) General meeting on requisition by shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("Companies Ordinance"), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request:–

- (i) must state the general nature of the business to be dealt with at the meeting;
- (ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;
- (iii) may consist of several documents in like form;
- (iv) may be sent in hard copy form or in electric form; and
- (v) must be authenticated by the person or persons making it.

Pursuant to Section 567 of the Companies Ordinance, directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the meeting so called must be held on a date not more than 28 days after the date of the notice convening the meeting.

Pursuant to Section 568 of the Companies Ordinance, if the directors do not do so, the shareholders who requested the meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting. The meeting must be called for a date not more than 3 months after the date on which the directors become subject to the requirement to call a meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the meeting by reason of the failure of the directors duly to call the meeting.

(b) Procedures for putting forward enquires to the Board

Shareholders may put forward enquiries to the Board through the Company Secretary who will direct the enquiries to the Board for handling. The contact details of the Company Secretary are as follows:

Mr. Wong Leung Wai
Safety Godown Co Ltd
Units 1305-1306, 13/F., Lu Plaza,
2 Wing Yip Street,
Kwun Tong, Kowloon, Hong Kong

E-Mail: info@safetygodown.com.hk
Telephone: (852) 2622 1100
Facsimile: (852) 2598 6123

(c) Putting forward proposal at annual general meeting ("AGM")

Pursuant to Section 615 of the Companies Ordinance, shareholder(s) can make a request to circulate a notice of a resolution that may properly be moved and is intended to be moved at an AGM. The request must be made by:

- (i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or
- (ii) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

Corporate Governance Report

SHAREHOLDERS' RIGHTS (Continued)

(c) Putting forward proposal at annual general meeting ("AGM") (Continued)

The request:-

- (i) may be sent in hard copy form or in electric form;
- (ii) must identify the resolution of which notice is to be given;
- (iii) must be authenticated by the person or persons making it; and
- (iv) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

(d) Procedure for shareholders to propose a person for election as a director

According to Article 82A of the Articles of Association of the Company, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details as set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules, to the Shareholders for them to make decision on their election at a general meeting.

COMPANY SECRETARY

The Company engages an external service provider, Mr. Wong Leung Wai, as its company secretary. Mr. Wong possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Oen Min Tjin, Executive Director of the Company is the primary contact person who Mr. Wong contacts. During the year, Mr. Wong has confirmed that he has taken no less than 15 hours of relevant professional training.

INVESTOR RELATIONS

The general meetings of the Company provide a platform for communication between the Shareholders and the Board. Our Directors are available at the shareholders' meetings of the Company to answer questions and provide information which Shareholders may enquire. The Company continues to enhance communications and relationships with its investors. Enquiries from investors are dealt with in an informative and timely manner.

Taking advantages of various resources, the Company keeps communicating with its Shareholders regularly and properly to ensure that Shareholders are adequately aware of any important issues during the course of the Company's operation, and then exercise their rights as Shareholders with sufficient knowledge. Investors are welcome to write directly to the Company at its Hong Kong registered office for any inquires.

SOCIAL RESPONSIBILITIES AND SERVICES

Details of social responsibilities and services are set out under Business Review Section of Directors' Report on page 24.

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Hong Kong, 25 June 2015

Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2015.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 30 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2015 are set out in the consolidated statement of profit or loss and other comprehensive income on page 29.

An interim and special dividends of HK7 cents and HK13 cents per share, amounting to HK\$9,450,000 and HK\$17,550,000 were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK10 cents per share amounting to HK\$13,500,000 and a special dividend of HK55 cents per share amounting to HK\$74,250,000 to the shareholders whose names appear on the register of members on 24 August 2015, and the retention of the remaining profit for the year of HK\$484,520,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2015, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$419,346,000 (2014: HK\$389,262,000).

DIRECTORS

(a) Directors of the Company

The directors of the Company during the year and up to the date of this report were:

Executive directors

Mr. Lu Sin (*Chairman & Managing Director*) (deceased on 5 April 2015)

Mr. Lu Wing Yee, Wayne

Mr. Oen Min Tjin

Non-executive director

Mr. Lee Ka Sze, Carmelo

Independent non-executive directors

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Wing Yee, Wayne and Mr. Lam Ming Leung shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Details of the directors to be re-elected at the 2015 annual general meeting are set out in the circular to the shareholders sent together with this Annual Report.

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Report

DIRECTORS (Continued)

(a) Directors of the Company (Continued)

The term of office for each non-executive and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

(b) Directors of the Company's subsidiaries

During the year and up to the date of this report (except Mr. Lu Sin who deceased on 5 April 2015), Mr. Lu Sin, Mr. Lu Wing Yee, Wayne and Mr. Oen Min Tjin are also directors in certain subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report include: Ms. Chan Koon Fung, Mr. Ng Gei, Mr. Lo Tai On and Mr. Huen Po Wah.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 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	4,400,000	12,939,500 ¹	49,203,445 ²	66,542,945	49.29%
Mr. Lu Wing Yee, Wayne	7,910,420	–	23,440 ³	7,933,860	5.88%
Mr. Lam Ming Leung	10,000	–	–	10,000	0.0074%

Notes:

- Mr. Lu Sin 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 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 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 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 31 March 2015.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate. In addition, none of the directors, or their spouses or children under the age of 18 had any right to subscribe for the securities of the Company or had exercised any such right during the year.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 6(b) to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 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, 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 interest and Mr. Lu Sin'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 31 March 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 12% (2014: 7%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 36% (2014: 29%) of the Group's total turnover.

In addition, the nature of the activities of the Group is such that no major supplier contributed significantly to the Group's purchases.

At no time during the year did the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) have any interest in any of the Group's five largest customers.

Directors' Report

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 year.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up and reviewed from time to time by the Remuneration and Nomination Committee on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2015.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$476,000.

CORPORATE GOVERNANCE

The Board of the Company are committed to maintain high standards of corporate governance. The Company has complied throughout the year ended 31 March 2015 with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules, with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 8 to 15 of the Annual Report.

BUSINESS REVIEW

Our business

The Company was founded in 1960, with business focus on godown operations, property investment and treasury investment in Hong Kong. We currently own three major properties – Lu Plaza, situated at 2 Wing Yip Street, Kwun Tong; Safety Godown, situated at 132-140 Kwok Shui Road, Kwai Chung and Chivas Godown situated at 60 Ka Yip Street, Chai Wan. For the details of the properties, please refer to Particulars of Major Properties section on page 69.

Godown operations

Our godown business primary provides public storage space for customers. We operate two godowns in Hong Kong, Safety Godown (SG) situated at 132-140 Kwok Shui Road, Kwai Chung and Chivas Godown (CG) (except 1/F to 7/F) at 60 Ka Yip Street, Chai Wan. There are 11 storeys in SG totalling 421,000 sq. ft.. Our Clientele includes a large variety of companies from different industries. Newspaper customers, constituted over 25% of the total revenue of our godown business in the past two years, have been our major client. As for CG's godown operations, that includes 8/F and part of G/F, is about 55,000 sq. ft., while 1/F to 7/F were reclassified as investment property and leased out to tenants.

Directors' Report

BUSINESS REVIEW (Continued)

Godown operations (Continued)

The Group's godown business has been running for over 50 years and its strength is the high quality service provided to the customers. This strength builds up a reputation that enables the company to retain a portfolio of customers. The objective of the business is to provide shareholders a stable stream of fund and make good use of the Group's properties.

Property investment

Our property investment business primary includes leasing of office space and godown space, and some non-core investment properties, etc. The Group's major investment properties included Lu Plaza situated at 2 Wing Yip Street, Kwun Tong, Kowloon and 1/F to 7/F of Chivas Godown, 60 Ka Yip Street, Chai Wan. Lu Plaza has 430,000 sq. ft. of office space in total plus over 101 car parking spaces. In general, the tenants of Lu Plaza mainly consist of a large variety of businesses including local and international manufacturing companies, trading firms, and logistics enterprises, etc. We have leased out 1/F to 7/F of Chivas Godown floor by floor with total about 318,500 sq. ft. floor space. Most of our leases last for two to three years. The remaining non-core properties of the Group include container truck parking spaces and industrial building units.

To that end, our business goals are to obtain the highest possible rental income and occupancy at our properties in order to maximize our cash flows, net operating income, funds from operations, funds available for distribution to shareholders and other operating measures and results, and ultimately to maximize the values of our properties.

During the recent two years, we derived around 70% of the Group's turnover from property investment and we expected it to grow even higher in the coming few years.

Treasury investment

Our treasury investment business includes investing surplus cash from operations in listed securities in Hong Kong, local, foreign currency bank deposits, and other financial products. We have invested in a balanced portfolio of listed stocks in Hong Kong included high dividend yield stocks and growth stocks. Foreign currency bank deposits include Renminbi, Australian Dollar and Japanese Yen, etc. We also invested in bonds to received interest income. The objective of our investment are to strike a balance between risk and return and maximizes return to shareholders.

COMPETITION

Competition in public godown market is keen. We compete with other godown service providers mainly in New Territories and Hong Kong Island in terms of rent charge, quality of service and efficiency. We compete with other godowns to attracting customers. Such competition could have an adverse effect on our ability to lease storage space and on the amount of godown income that we receive.

Competition in the office leasing market is intense. Our competitors are commercial real estate landlords particularly those with properties near our properties. Such intensified competition includes factors like location and rent. This competition could have a material adverse effect on our ability to lease space and on the amount of rent that we receive.

FINANCIAL REVIEW

The consolidated profit for the year attributable to owners of the Company grew sharply by 193% to HK\$599,270,000 (2014: HK\$204,657,000). Our recurring underlying profit excluding the unrealized fair value gain in investment properties amounted to HK\$90,498,000 (2014: HK\$72,163,000), surged by about 25.41% compared with a 3.66% increase last year. Shareholders' funds rose by 18% to HK\$3,587,102,000 as at 31 March 2015 (31 March 2014: HK\$3,039,345,000).

Directors' Report

FINANCIAL REVIEW (Continued)

Total revenue of the Group continued to grow year-on-year by 12.40% to HK\$156,416,000 (2014: HK\$139,156,000) after a 16.20% rise last year. The increase in total revenue was mainly attributable to growth in rental income generated from investment properties.

As at 31 March 2015, the net asset value per share of the Company amounted to HK\$26.57 (31 March 2014: HK\$22.51), while the earning per share for the year reported at HK\$4.44 (2014: HK\$1.52). With the market share price of the Company as at 31 March 2015 being HK\$12.20 (31 March 2014: HK\$9.76), the P/E ratio was as low as 2.75 (31 March 2014: 6.42), along with a consistent generous dividend payout ratio of above 40% based on profit for the year attributable to shareholders after adjusting the unrealised fair value changes in investment properties (please see dividend payout ratio in past 5 years stated in Five Year Financial Summary). The return on average shareholders' funds (profit for the year attributable to shareholders/average shareholders' funds) surged from 6.91% in last year to 18.09% in current year.

Godown operations

The unsteady external environment and the slow global economic recovery weighed on exports of goods. During the year, exports of goods remained sluggish. Enterprises tried to cut cost by reducing storage of goods, affecting the source of goods especially from paper products. The performance of our godown operations was relatively steady. Total revenue generated from godown operations down slightly by 1.09% to HK\$38,141,000 (2014: HK\$38,560,000) with godown rates improved during the year. Profit margin grew 1.45% from 57.72% to 59.17% resulting from an increase in segment profit of 1.39% to HK\$22,568,000 (2014: HK\$22,258,000), indicating a reduction in operating cost as a result of better godown management.

Key performance – data of godown operations

	2015	2014
Average occupancy level	64%	82%
Average storage price per cubic meter (CBM)	<u>HK\$67</u>	<u>HK\$54</u>

- Definition and calculation: Average occupancy level, being percentage of godown space occupied by goods. Average storage price per CBM, being average storage price charged to customer per CBM of goods received.
- Source of underlying data: Internal company data.
- Assumption: Maximum capacity of Safety Godown is 48,000CBM and that of Chivas Godown is 12,000CBM.
- Purpose: Occupancy level and average storage price per CBM are key drivers for performance.
- No changes have been made to the source of data or calculation methods used compared to 2014.

Directors' Report

FINANCIAL REVIEW (Continued)

Property investment

The Group offers a range of properties for lease, from industrial-office units to industrial units and godown spaces. The Group's major investment properties are the Lu Plaza, industrial-office building located in Kwun Tong and a godown property located in Chai Wan. After staying quiet in the year 2013, the overall property market experienced a revival since the second quarter of 2014. Rents in most districts were flat over the year under review.

The rising demand of office, the greater availability of office space and the significant rental difference compared with other core districts has escalated the emergence of Kowloon East as the third largest commercial center in Hong Kong. However, with rapid growing supply of office space in Kowloon East, rental growth in Lu Plaza slow while average occupancy rate dropped slightly to 85% during the year.

The leasing activities in warehouse market remained buoyant. Strong logistics market fundamentals and tight supply of warehouse sector in Island East helped support the growth of rental in Chivas Godown. Rental rate in Chivas Godown jumped by high double digit percentage with occupancy level remained at 100%.

Segment profit in property investment after deducting the fair value gain in properties rose 10.73% to HK\$90,168,000 (2014: HK\$81,428,000) while total rental income surged by 15.65% to HK\$111,347,000 (2014: HK\$96,280,000).

Key performance – data of properties investment

	2015	2014
Average occupancy level	91%	92%
Average monthly rental income per square feet (sq.ft.)	<u>HK\$12.8</u>	<u>HK\$11.1</u>

- Definition and calculation: Average occupancy level, being percentage of floor area occupied by tenant. Average monthly rental income per sq.ft. being average rental income charged to tenant per sq. ft. of floor area leased.
- Source of underlying data Internal company data.
- Purpose: occupancy level and average monthly rental income per sq. ft. are key drivers for performance.
- No changes have been made to the source of data or calculation methods used compared to 2014.

The perception of a sustained low-interest-rate environment and abundant liquidity in the market place boosted the market prices of properties. During the year under review, the Group recorded a fair value gain in investment properties of HK\$508,772,000 (2014: HK\$132,494,000).

The outlook for the investment property sector remains positive amid the completion of Kai Tak Cruise Terminal, the MTR Sha Tin-Central Link which set for completion in 2020, and the proposed relocation of some government departments to Kowloon East districts, and the significant rental difference compared with other core districts.

Directors' Report

FINANCIAL REVIEW (Continued)

Treasury investment

Hong Kong stock market was generally buoyant but rather volatile during the year. The prolonged period of low interest rates, monetary easing measures introduced by the Central Government to fuel steady economic development, the successful launch of the Shanghai-Hong Kong Stock Connect, the expected benefits caused by "One Belt and One Road" and the proposed Shenzhen-Hong Kong Stock Connect were all the main driving forces contributing to the rising trend of Hang Seng Index.

The Hang Seng Index opened at 22,292 points on 1 April 2014, reached its high at 25,317 points on 3 September 2014 and subsequently fell back in light of the market concerns over US interest rate, the weak economic performance of Mainland and the Greece's debt negotiations. Hang Seng Index closed at 24,900 points on 31 March 2015, representing an increase of 11.70% during the year under review.

The Group responded to the market and captured the opportunities to increase its investment portfolio with strict control in market risk. Investment income surged by 60.52% to HK\$6,928,000 (2014: HK\$4,316,000), which was mainly attributable to the increase in dividend income and interest income. Gain on trading securities registered at HK\$2,479,000 (2014: loss of HK\$8,790,000). Investment risk in trading securities was relatively low, the total trading securities portfolio as at 31 March 2015 amounted to HK\$92,201,000 (31 March 2014: HK\$89,886,000), which accounted for only 2.57% (31 March 2014: 2.96%) of the net assets of the Group.

The available-for-sale securities investment which was held for long term investment purposes appreciated by 33.72%, registering a fair value gain of HK\$9,237,000 (2014: loss of HK\$4,523,000) with the investment value reached HK\$36,628,000 (2014: HK\$27,391,000).

During the year, the US dollar strengthened against most major currencies including Australian dollar, Japanese Yen and Renminbi which the Group had such foreign currencies fixed deposits. As a result, an exchange loss of HK\$5,461,000 (2014: HK\$4,796,000) incurred. All of the Japanese Yen deposits has been exchanged to Hong Kong dollar during the year.

OPERATING COST

Major components of operating costs are staff costs, depreciation, repairs and maintenance and other administrative costs. Total staff costs reduced by 1.60% to HK\$17,318,000 (2014: HK\$17,600,000), as of retirement of some senior staff. The other operating expenses increased in current year. Other than exchange loss on foreign currency amounted to HK\$5,461,000 (2014: HK\$4,796,000), the Group also recorded rise on cost of repairs and maintenance in investment properties, professional consultation fee on revitalization of Lu Plaza and legal fee, etc.

LIQUIDITY AND FINANCIAL RESOURCES

The Group adopted a prudent funding and treasury policy with regard to its business operation, and continued to maintain a strong cash position. The total cash and bank balances as at 31 March 2015 increased by 18.89% to HK\$273,913,000 (31 March 2014: HK\$230,399,000), with no bank borrowings or loans of any kind. Most of the bank deposits were denominated in Hong Kong dollars.

The Group financed its operation mainly by its strong cash flows generated from operation. Recurring net cash flows from operation increased by 61.24% to HK\$104,628,000 (2014: HK\$64,889,000). Net current assets as at 31 March 2015 totalled HK\$349,738,000 (31 March 2014: HK\$299,614,000), up 16.73% with the current ratio of 13.17 (31 March 2014: 9.90). With the strong cash balance and recurring cash inflow from operation, plus no outstanding bank borrowings or loans, the Group has sufficient financial resources to finance its operations and to meet any anticipated future liquidity requirements.

Directors' Report

LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Total non-current assets as at 31 March 2015 appreciated by 18.20% to HK\$3,313,776,000 (31 March 2014: HK\$2,803,466,000), with the total net asset value reaching HK\$3,587,102,000 (31 March 2014: HK\$3,039,345,000), making the net asset value per share of the Company as at 31 March 2015 equivalent to HK\$26.57 (31 March 2014: HK\$22.51).

COMPLIANCE WITH REGULATIONS

Due to the nature of the business of the Group, the Directors are of the opinion that no specific laws and regulations related to environmental protection has significant impact on the operations of the Group.

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

As at 31 March 2015, the Group employed 53 (31 March 2014: 54) employees. The reduction was mainly caused by retirement of aged staff. Total staff cost reduced by 1.60% to HK\$17,318,000 (2014: HK\$17,600,000). 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.

Relationship is the fundamentals of business. The Group fully understand this principal and thus maintain close relationship with the customer to fulfil their immediate and long-term need.

Due to the nature of the business, the Group didn't have any major supplier that has significant influence on the operations. However, the Group strived to maintain fair and co-operating relationship with the suppliers.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Corporate Social Responsibility has become a common practice. The Group, believes in "what is taken from the community is to be used for the good of the community", actively engages in various philanthropic and voluntary participation in social welfare activities.

The Group has sponsored the 12th "Hong Kong Synergy 24 Drum Competition", and provided venue for their "Outreach program" in promoting Chinese music. The Group has also promoted and encouraged employees to participate in blood drive sponsored by Red Cross.

We have organized voluntary visits and brought festive presents during the Mid-Autumn Festival and Christmas to "Kwong Yum Care Home" for the Aged; lent out units at Lu Plaza to support World Vision Hong Kong as used book collection center, to support their annual "Used Book Recycling Campaign" to help those underprivileged children in Mainland China. We have actively participated in the World Vision's "Skip-A-Meal" to help those starving children and Orbis' "World Sight Day" to help the blind, etc.

The Group cares to save energy, reduce waste during our day-to-day operations, and to protect the environment by implementing a series of measures in energy conservation and paper recycling etc. This year we have donated to the Community Chest's "Green Day".

The Hong Kong Council of Social Service has awarded us again for the "Ten Plus Caring Company" logo in recognition of our continuous efforts in implementing corporate responsibility and contribution to social development.

Directors' Report

PRINCIPAL RISK AND UNCERTAINTY

Godown operations

Economy of Mainland China is challenging, and might adversely affect our cash flows from operations. The economy of Mainland China has become sluggish. These conditions have negatively affected tourist spending and import and export trade in Hong Kong. This lower demand has led to decreased operating performance of our godowns. These conditions could also have adverse effect on our financial condition and results of operations.

Any adverse economic developments in Asia, in particular China, as a result of a global economic slowdown or otherwise, could lead to a general decline in domestic consumption and a slowdown in international trade, which could have adverse impact on our businesses. In addition, an economic slowdown in Europe and the shifting of outsourced manufacturing activities away from China could have adverse impact on our godown business. If China continues to experience slower growth or a decline in exports, our business, financial condition and results of operations could be adversely affected.

We are primarily engaged in providing godown services to manufacturers, retailers, newspapers and publisher companies and other customers to serve their needs along their supply chains. We are therefore dependent on our customers' business performance and developments in their markets and industries. As we see some of our customers are going to reduce their raw material storage cost by reducing outsource of godown operations and perform the operations themselves, this will have a direct negative impact on our godown business if the trend continue.

Property investment

The valuation and accounting treatment of investment properties, could result in future asset impairments, which would be recorded as operating losses. Valuation of investment properties was done by valuers/directors at year ended and any surplus/deficiency was recorded as fair value gain/loss in the statement of profit and loss and other comprehensive income. Market value of investment properties could be affected by a number of factors, such as property market condition, interest rate, political environment, etc. The fair value gain/loss could significantly affect the profit for the year of the Group.

Lu Plaza's revitalization work may not be complete on time or within the budget we expected. Land's department has granted the special waiver to Lu Plaza to convert into non-industrial use in March 2014. The time period allowed for conversion is 3 years. Therefore if the conversion cannot be completed on or before March 2017 the Government can terminate the Waiver. The Group could subject to significant financial loss. The conversion work was already started in June 2015. The time required for the whole project is expected to be 1.5 years and the budgeted cost is about HK\$192,000,000. The actual cost could be more than budgeted cost due to a numbers of reasons, such as delay of conversion work, inflation, rise of material and labor cost, etc. These could have material adverse effect on the profitability and cash flow of the Group. The directors will closely monitor the progress and may take remedial plan if necessary.

The rental rate and occupancy rate of Lu Plaza after conversion may not be satisfactory. As the revitalization activities in Kowloon East is robust, many newly constructed and revitalized office buildings emerged in recent years. Therefore Lu Plaza will face substantial competition in the leasing market after the revitalization work. Therefore the rental rate and occupancy rate may or may not be higher than the current rate. This could adversely affect the profitability of the Group. The directors will closely monitor the market development and adjust the operating strategy if required.

Directors' Report

PRINCIPAL RISK AND UNCERTAINTY (Continued)

Treasury investment

For the treasury investment business, the fluctuation in stock price of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standard, the gain/loss on the listed securities should be booked as fair value gain/loss on investment held for trading in the statement of profit or loss and other comprehensive income, no matter whether the securities were disposed or not. Therefore the fluctuation in stock price could have positive or negative effect on the Group's profitability. The directors will closely monitor the stock market and make change to the investment portfolio in order to maximize the shareholders return.

The Group also subjected to credit risk of customer from Godown business and property investments business. The godown business and property leasing involved granting credit period to the customers therefore have the potential risk of default.

GROUP'S ABILITY TO FUND CURRENT AND FUTURE OPERATIONS

The Group currently fund its operational wholly by internal bank balance and cash from operations and have no bank borrowing. The management anticipated that no bank borrowing is required to maintain the current and future operations of the Group. The Group has a credit policy to the customers and debt recovery policy and applied consistently for years. Thus the bad debt risk is regarded as low.

IMPORTANT EVENT SINCE THE YEAR END

As the Chairman of the Group, Mr. Lu Sin, passed away on 5 April 2015, all employees of the Group grieve the loss and express the deepest condolences to the family of Mr. Lu. The passaway of Mr. Lu is no doubt a big loss to the Group. The Senior Management will devote our best effort to carry on the business. Since the daily management of the Group's operation has already been delegated to the management for years, the passaway of Mr. Lu didn't have a significant impact on the operation of the Group.

LIKELY FUTURE DEVELOPMENT OF THE GROUP'S BUSINESS

The coming next years the Group will focus on the revitalization work of Lu Plaza to convert it into non-industrial use. We expected the value of the building will be enhanced after the work finished. The work has just started in June 2015 and is expected to last for about 1.5 years. Currently the budgeted cost to complete the project is expected to be about HK\$192,000,000. We expected the conversion work will be wholly funded by internal source and or if necessary, assisted by a not significant bank borrowing.

The godown operations business is a stable business and the management currently didn't have any plan to change it. And we will keep on running the business in an efficient and effective manner.

On the other hand, the Group will keep on investing surplus cash in listed securities in Hong Kong and other financial products in order to take advantage of the current robust stock market.

Directors' Report

DIVIDEND POLICY

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. In the past 10 years, the Group had provided shareholders with relatively generous dividend payments. The management will try to maintain the dividend payment at a satisfactory level based on the business environment and the performance of the Group.

For the details of the dividend paid and proposed for the year, please refer to the Dividends section under Executive Directors' Statement on page 6.

PLEDGE OF ASSETS

As at 31 March 2015, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES

As at 31 March 2015, the Group did not have any significant contingent liabilities.

CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the meeting, the Register of Members will be closed from Tuesday, 11 August 2015 to Friday, 14 August 2015, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Monday, 10 August 2015.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Thursday, 20 August 2015 to Monday, 24 August 2015, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final 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, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 19 August 2015.

AUDITOR

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Hong Kong, 25 June 2015

Independent Auditor's Report

Deloitte.

德勤

TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 29 to 68, which comprise the consolidated statement of financial position as at 31 March 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 June 2015

28 SAFETY GODOWN CO LTD

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2015

	Notes	2015 HK\$'000	2014 HK\$'000
Turnover	4	<u>156,416</u>	<u>139,156</u>
Income from godown operations		38,141	38,560
Income from property investment		111,347	96,280
Fair value gain (loss) on investments held for trading		2,479	(8,790)
Interest income		2,669	1,080
Dividend income		4,259	3,236
Other income and gains		327	343
Increase in fair value of investment properties	12	508,772	132,494
Staff costs		(17,318)	(17,600)
Depreciation of property, plant and equipment		(6,806)	(7,058)
Other expenses		<u>(25,364)</u>	<u>(17,050)</u>
Profit before taxation	8	<u>618,506</u>	221,495
Taxation	9	<u>(19,236)</u>	<u>(16,838)</u>
Profit for the year attributable to owners of the Company		<u>599,270</u>	204,657
Other comprehensive income (loss) for the year			
Fair value gain (loss) on available-for-sale investments that may be subsequently reclassified to profit or loss		<u>9,237</u>	<u>(4,523)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>608,507</u>	<u>200,134</u>
Earnings per share – Basic	11	<u>HK\$4.44</u>	<u>HK\$1.52</u>

Consolidated Statements of Financial Position

At 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Investment properties	12	3,176,400	2,667,400
Property, plant and equipment	13	94,790	101,460
Available-for-sale investments	14	36,628	27,391
Held-to-maturity investment	15	5,958	7,215
		<u>3,313,776</u>	<u>2,803,466</u>
Current assets			
Investments held for trading	16	92,201	89,886
Trade and other receivables	17	10,364	10,977
Tax recoverable		2,002	2,002
Bank and other deposits	18	132,484	152,824
Bank balances and cash		141,429	77,575
		<u>378,480</u>	<u>333,264</u>
Current liabilities			
Other payables	19	26,498	29,448
Tax payable		2,244	4,202
		<u>28,742</u>	<u>33,650</u>
Net current assets		<u>349,738</u>	<u>299,614</u>
		<u>3,663,514</u>	<u>3,103,080</u>
Capital and reserves			
Share capital	20	178,216	178,216
Reserves		3,408,886	2,861,129
Equity attributable to owners of the Company		<u>3,587,102</u>	<u>3,039,345</u>
Non-current liabilities			
Long-term tenant's deposits received		18,635	9,405
Deferred tax liabilities	21	55,519	52,444
Provision for long service payments	22	2,258	1,886
		<u>76,412</u>	<u>63,735</u>
		<u>3,663,514</u>	<u>3,103,080</u>

The consolidated financial statements on pages 29 to 68 were approved and authorised for issue by the Board of Directors on 25 June 2015 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2015

	Share capital HK\$'000	Share premium HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2013	135,000	43,216	17,135	63,618	2,622,092	2,881,061
Profit for the year	–	–	–	–	204,657	204,657
Fair value loss of available- for-sale investments	–	–	(4,523)	–	–	(4,523)
Total comprehensive (loss) income for the year	–	–	(4,523)	–	204,657	200,134
Dividends paid (<i>note 10</i>)	–	–	–	–	(41,850)	(41,850)
Transfer upon abolition of par value under the Hong Kong Companies Ordinance, Cap. 622 (<i>Note</i>)	43,216	(43,216)	–	–	–	–
At 31 March 2014	178,216	–	12,612	63,618	2,784,899	3,039,345
Profit for the year	–	–	–	–	599,270	599,270
Fair value gain of available- for-sale investments	–	–	9,237	–	–	9,237
Total comprehensive income for the year	–	–	9,237	–	599,270	608,507
Dividends paid (<i>note 10</i>)	–	–	–	–	(60,750)	(60,750)
At 31 March 2015	178,216	–	21,849	63,618	3,323,419	3,587,102

Note: In accordance with the provisions of the Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

Consolidated Statement of Cash Flows

For the year ended 31 March 2015

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Operating activities		
Profit before taxation	618,506	221,495
Adjustments for:		
Increase in fair value of investment properties	(508,772)	(132,494)
Unrealised loss (gain) on investments held for trading	(299)	7,577
Depreciation of property, plant and equipment	6,806	7,058
Impairment loss recognised on trade receivables	414	–
Provision for long service payments	633	63
Exchange differences	1,257	949
	<hr/>	<hr/>
Operating cash flows before movements in working capital	118,545	104,648
Decrease (increase) in trade and other receivables	199	(2,106)
Increase in investments held for trading	(2,016)	(23,694)
Increase in other payables and long-term tenant's deposits received	6,280	1,232
Long service payments utilised	(261)	(1,223)
	<hr/>	<hr/>
Cash generated from operations	122,747	78,857
Income tax paid	(18,119)	(13,968)
	<hr/>	<hr/>
Net cash from operating activities	104,628	64,889
	<hr/>	<hr/>
Investing activities		
Withdrawal of bank deposits	93,976	62,022
Addition of bank deposits	(60,238)	(135,149)
(Increase) decrease in deposits with security brokers	(13,398)	22,800
Addition of investment properties	(228)	(506)
Purchase of property, plant and equipment	(136)	(322)
	<hr/>	<hr/>
Net cash from (used in) investing activities	19,976	(51,155)
	<hr/>	<hr/>
Cash used in financing activity		
Dividends paid	(60,750)	(41,850)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	63,854	(28,116)
	<hr/>	<hr/>
Cash and cash equivalents at beginning of the year	77,575	105,691
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	141,429	77,575
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	141,429	77,575
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 30.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following amendments to HKFRSs and new interpretation issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC) – Int 21	Levies

The application of the above amendments to HKFRSs and a new interpretation in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure Initiative ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception ¹
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations ¹
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants ¹
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions ²
Amendments to HKAS 27	Equity Method in Separate Financial Statements ¹
HKFRS 9	Financial Instruments ⁴
HKFRS 14	Regulatory Deferral Accounts ⁵
HKFRS 15	Revenue from Contracts with Customers ⁶

¹ Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

² Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

³ Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

⁴ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

⁶ Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

HKFRS 15 “Revenue from contracts with Customer”

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 “Revenue”, HKAS 11 “Construction Contracts” and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for goods and services. Specifically, the standard introduces a 5-step approach to revenue recognition:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 15 “Revenue from contracts with Customer” (Continued)

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, that is when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company are in the process of ascertaining the financial effect of the application of these new and revised HKFRSs on the Group’s consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Levels 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance. During the financial year, the requirements of Part 9 “Accounts and Audit” of the Hong Kong Companies Ordinance (Cap. 622) come into operation, as a result, there are changes to presentation and disclosures of certain information in the consolidated financial statements.

In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The significant accounting policies are set out below.

Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2015 comprise the Company and entities controlled by the Company and its subsidiaries.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates with a significant risk of material adjustment in the next financial year are discussed in note 27.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Godown operations income is recognised on an accrual basis when the godown facilities are utilised and services are rendered.

The accounting policy for income from investment properties is described in the paragraph headed by "Leasing" below.

Sale of trading securities is recognised on a trade-date basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by the end of owner-occupation, any excess of fair value of that item over the carrying amount at the date of change is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the item is derecognised.

Property, plant and equipment

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investment and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis.

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading. A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, bank and other deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investment

Held-to-maturity investment is non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investment is measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified in profit or loss in the period in which the impairment takes place.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including other payables and long-term tenant's deposits received) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (that is the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (that is, based on the expected manner as to how the properties will be recovered).

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease or those that are classified and accounted for as investment properties under the fair value model. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. Where the leasehold land of the Group qualifies for finance lease classification, it is classified as property, plant and equipment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to the Mandatory Provident Fund Scheme and the cost of non-monetary benefits are recognised as an expense when employees have rendered services entitling them to the contributions and/or benefits.

4. TURNOVER

Turnover represents the following revenue recognised during the year:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Income from godown operations	38,141	38,560
Income from property investment	111,347	96,280
Dividend income from listed investments	4,259	3,236
Bank interest income	2,155	532
Other interest income	514	548
	<u>156,416</u>	<u>139,156</u>

5. SEGMENT INFORMATION

Information analysed on the basis of the operation of the Group's businesses, including godown operations, property investment and treasury investment, is reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment of each operating segment. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 March 2015

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Turnover</i>				
Segment revenue	38,141	111,347	6,928	156,416
Segment profit	22,568	90,168	2,928	115,664
Increase in fair value of investment properties				508,772
Other administrative costs				(5,930)
Profit before taxation				618,506
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>				
Segment assets	99,887	3,179,823	268,447	3,548,157
Bank balances and cash				141,429
Tax recoverable				2,002
Unallocated other assets				668
Consolidated total assets				3,692,256
<i>Liabilities</i>				
Segment liabilities	3,269	37,142	–	40,411
Tax payable				2,244
Deferred tax liabilities				55,519
Unallocated other liabilities				6,980
Consolidated total liabilities				105,154

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2015 (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Segment/ consolidated total HK\$'000
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	136	228	–	364
Depreciation of property, plant and equipment	6,800	6	–	6,806
Impairment loss recognised in trade receivables	–	414	–	414
Fair value gain on investments held for trading	–	–	2,479	2,479
Provision for long service payments	633	–	–	633

For the year ended 31 March 2014

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<i>Turnover</i>				
Segment revenue	38,560	96,280	4,316	139,156
Segment profit (loss)	22,258	81,428	(10,100)	93,586
Increase in fair value of investment properties				132,494
Other administrative costs				(4,585)
Profit before taxation				221,495

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2014 (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<i>Assets</i>				
Segment assets	107,551	2,670,898	278,103	3,056,552
Bank balances and cash				77,575
Tax recoverable				2,002
Unallocated other assets				601
Consolidated total assets				<u>3,136,730</u>
<i>Liabilities</i>				
Segment liabilities	4,076	31,702	–	35,778
Tax payable				4,202
Deferred tax liabilities				52,444
Unallocated other liabilities				4,961
Consolidated total liabilities				<u>97,385</u>
	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Segment/ consolidated total HK\$'000
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	301	527	–	828
Depreciation of property, plant and equipment	7,043	15	–	7,058
Fair value loss on investments held for trading	–	–	(8,790)	(8,790)
Provision for long service payments	–	63	–	63

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of increase in fair value of investment properties, other administrative costs, which include directors' fees, other expenses that are not directly related to the core business. This is the measure reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

5. SEGMENT INFORMATION (Continued)

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than the Group's corporate assets and tax recoverable; and
- all liabilities are allocated to operating segments other than the Group's corporate liabilities, tax payable and deferred tax liabilities.

Information about major customers

The aggregate revenue attributable to the Group's five largest customers accounted for 36% (2014: 29%) of the Group's total turnover. The revenue attributable by the largest customer (included in both godown operations and property investment segments) in current year amounting to HK\$18,897,000 which accounted for 12% of the Group's total turnover, and the revenue attributed by each of remaining four customers are less than 10% of the Group's total revenue for the current year. In the previous year, the revenue attributed by each of the five largest customers are less than 10% of the Group's total turnover.

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 4.

All the business operations and major non-current assets of the Group for both years are located and derived from Hong Kong.

6. BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable during the year to each of the seven (2014: seven) directors and the chief executive were as follows:

Name of directors	Lu	Lu	Lee	Gan	Lam	Leung	Total	
	Lu Sin	Wing Yee, Wayne	Oen Min Tjin	Ka Sze, Carmelo	Khai Choon	Ming Leung		Man Chiu, Lawrence
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
		(Note)						
2015								
Fees	66	24	41	208	235	211	211	996
Other emoluments								
Salaries	2,119	–	884	–	–	–	–	3,003
Discretionary bonus	–	–	65	–	–	–	–	65
Retirement benefits scheme contributions	–	18	–	–	–	–	–	18
Total emoluments	<u>2,185</u>	<u>42</u>	<u>990</u>	<u>208</u>	<u>235</u>	<u>211</u>	<u>211</u>	<u>4,082</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

6. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

(a) Directors' and chief executive's emoluments (Continued)

Name of directors	Lu Wing Yee, Lu Sin Wayne HK\$'000		Oen Min Tjin HK\$'000	Lee Ka Sze, Carmelo HK\$'000	Gan Khai Choon HK\$'000	Lam Ming Leung HK\$'000	Leung Man Chiu, Lawrence HK\$'000	Total HK\$'000
	(Note)							
2014								
Fees	83	25	42	199	221	199	199	968
Other emoluments								
Salaries	2,119	–	840	–	–	–	–	2,959
Discretionary bonus	–	–	61	–	–	–	–	61
Retirement benefits scheme contributions	–	15	–	–	–	–	–	15
Total emoluments	<u>2,202</u>	<u>40</u>	<u>943</u>	<u>199</u>	<u>221</u>	<u>199</u>	<u>199</u>	<u>4,003</u>

Note: Mr. Lu Wing Yee, Wayne has been taking sick leave since October 2011 and has voluntarily agreed to have payment of his salaries suspended. Other than that, no directors waived any emoluments during the years ended 31 March 2015 and 2014.

Mr. Lu Sin is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

(b) Directors' material interests in transactions, arrangements or contracts

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2014: HK\$240,000) from Kian Nan Financial Limited in which Mr. Lu Sin, Chairman and Managing Director of the Company, has a beneficial interest and is able to exercise significant influence. The reimbursement represents a share of the expenses incurred in respect of the occupation of office premises and general administrative services provided to the related company.

Save from the aforementioned transaction, no other contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2014: two) were executive directors and the chief executive of the Company whose emoluments are included in note 6 above. The emoluments of the remaining three (2014: three) individuals were as follows:

	2015 HK\$'000	2014 HK\$'000
Salaries and other benefits	1,771	1,691
Retirement benefits scheme contributions	45	45
	<u>1,816</u>	<u>1,736</u>

Their emoluments were within the band of HK\$nil to HK\$1,000,000.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

8. PROFIT BEFORE TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	861	820
– non-audit services	258	253
Exchange loss, net	5,461	4,796
Impairment loss recognised on trade receivables	414	–
Gross rental income from investment properties	(111,347)	(96,280)
Less: direct operating expenses for investment properties that generated rental income during the year	7,621	4,443
Net rental income	(103,726)	(91,837)
Dividend income from listed securities		
– available-for-sale investments	(701)	(701)
– investments held for trading	(3,558)	(2,535)
Bank interest income	(2,155)	(532)
Interest income from held-to-maturity investment	(514)	(548)
	<u> </u>	<u> </u>

9. TAXATION

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	16,164	13,867
Overprovision in prior years	(3)	(218)
	<u> </u>	<u> </u>
	16,161	13,649
Deferred taxation (<i>note 21</i>)		
Current year	3,075	3,189
	<u> </u>	<u> </u>
	19,236	16,838
	<u> </u>	<u> </u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

9. TAXATION (Continued)

The tax charge for the year can be reconciled to the profit before taxation as per the consolidated statement of profit or loss and other comprehensive income as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u>618,506</u>	<u>221,495</u>
Tax at the domestic income tax rate of 16.5%	102,053	36,547
Tax effect of expenses not deductible for tax purpose	2,436	1,230
Tax effect of income not taxable for tax purpose	(84,868)	(22,508)
Tax effect of tax losses not recognised	299	1,845
Tax effect of utilisation of tax losses previously not recognised	(622)	(21)
Overprovision in prior years	(3)	(218)
Others	(59)	(37)
Tax charge for the year	<u>19,236</u>	<u>16,838</u>

10. DIVIDENDS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interim dividend paid in respect of 2015 – HK7 cents (2014: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2015 – HK13 cents (2014: HK4 cents) per ordinary share	17,550	5,400
Final dividend paid in respect of 2014 – HK7 cents (2013: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2014 – HK18 cents (2013: HK13 cents) per ordinary share	24,300	17,550
	<u>60,750</u>	<u>41,850</u>

A final dividend of HK10 cents per share, amounting to HK\$13,500,000 and a special dividend of HK55 cents per share, amounting to HK\$74,250,000 for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$599,270,000 (2014: HK\$204,657,000) and on 135,000,000 shares in issue throughout both years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
AT FAIR VALUE	
At 1 April 2013	2,534,400
Additions	506
Increase in fair value recognised in profit or loss	132,494
	<hr/>
At 31 March 2014	2,667,400
Additions	228
Increase in fair value recognised in profit or loss	508,772
	<hr/>
At 31 March 2015	<u>3,176,400</u>

The fair values of the Group's major investment properties at 31 March 2015 amounting to HK\$3,149,000,000 (2014: HK\$2,641,000,000) 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 other investment properties as at 31 March 2015 amounting to HK\$27,400,000 (2014: HK\$26,400,000) 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\$508,772,000 (2014: HK\$132,494,000) which has been included in the 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.

The valuation of the Group's investment properties is classified as Level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

All the investment properties of the Group are rented out under operating leases.

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rate used and market unit rent of individual unit. The capitalisation rates used, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, represents the significant unobservable input under the income capitalisation approach. Below is a table which presents the significant unobservable input:

	Range of capitalisation rates	
	2015	2014
Industrial/office	2.8%-4.3%	2.4%-4.5%
Godown premises	4.5%-5.5%	4.5%-5.5%
Others	4%	4%

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

12. INVESTMENT PROPERTIES (Continued)

A significant increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The increase in the market unit rent would result in an increase in fair value and vice versa.

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 April 2013	175,742	14,574	2,668	192,984
Additions	–	322	–	322
Disposals/write off	–	(15)	–	(15)
At 31 March 2014	175,742	14,881	2,668	193,291
Additions	–	136	–	136
Disposals/write off	–	(12)	–	(12)
At 31 March 2015	175,742	15,005	2,668	193,415
DEPRECIATION				
At 1 April 2013	68,744	14,002	2,042	84,788
Provided for the year	6,340	438	280	7,058
Eliminated on disposals/write off	–	(15)	–	(15)
At 31 March 2014	75,084	14,425	2,322	91,831
Provided for the year	6,340	291	175	6,806
Eliminated on disposals/write off	–	(12)	–	(12)
At 31 March 2015	81,424	14,704	2,497	98,625
CARRYING AMOUNTS				
At 31 March 2015	94,318	301	171	94,790
At 31 March 2014	100,658	456	346	101,460

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and/or buildings of godown premises in Hong Kong	Shorter of the useful life of the buildings or the unexpired term of the land lease
Leasehold improvements, furniture, fixtures and equipment	25% per annum
Motor vehicles	25% per annum

At 31 March 2015, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK\$15,155,000 (2014: HK\$14,749,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>36,628</u>	<u>27,391</u>

15. HELD-TO-MATURITY INVESTMENT

At 31 March 2015, the Group held an unsecured senior note denominated in Australian dollar with a principal amount of Australian dollar 1,000,000, equivalent to approximately HK\$5,958,000 (2014: HK\$7,215,000) issued by a financial institution, which bears interest at the fixed rate of 7.75% per annum receivable semi-annually. The note will mature on 23 November 2016.

The directors consider that the carrying amount of the note as at 31 March 2015 and 31 March 2014 approximates its fair value.

16. INVESTMENTS HELD FOR TRADING

	2015 HK\$'000	2014 HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>92,201</u>	<u>89,886</u>

17. TRADE AND OTHER RECEIVABLES

	2015 HK\$'000	2014 HK\$'000
Trade receivables	6,446	7,484
Less: allowance for doubtful debts	(215)	–
	<u>6,231</u>	<u>7,484</u>
Other receivables	1,152	942
Prepayments and deposits	2,981	2,551
	<u>10,364</u>	<u>10,977</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

17. TRADE AND OTHER RECEIVABLES (Continued)

The age analysis of trade customers of the Group presented based on the billing date, which approximates revenue recognition date, is as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within 60 days	5,882	6,867
61-90 days	184	612
Over 90 days	165	5
	<u>6,231</u>	<u>7,484</u>

The Group has a policy of allowing 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.

The Group has the rights to charge godown business customers and tenants for interest on overdue balance on receivables, as stipulated in account opening agreement, godown warrant and lease agreement. Allowances for doubtful debts are made based on estimated irrecoverable amounts, determined by reference to the age of the debts, customers' current ability to pay, and the economic environment in which the customers operate.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$349,000 (2014: HK\$617,000) and which are past due by 1 to 60 days at the end of the reporting period for which the Group has not provided for impairment loss. The directors of the Company determined that these receivables are due from customers of good credit quality with no history of default and 2 to 3 months deposits are received from these tenants as security for their performance under the tenancy agreements. The Group does not hold any collateral from its other customers.

Trade receivables that are neither past due nor impaired have good credit quality and low default rate based on internal credit assessment performed by the management of the Group.

Movement in the allowance of doubtful debts

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	–	–
Impairment loss recognised	414	–
Amounts written off as uncollectible	(199)	–
	<u>215</u>	<u>–</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

18. BANK AND OTHER DEPOSITS

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank deposits	101,411	135,149
Deposits with security brokers	31,073	17,675
	<u>132,484</u>	<u>152,824</u>

The bank deposits are designated for treasury investment purpose.

Bank deposits and deposits with security brokers are carrying interest at varying rates ranging from 0.1% to 4.02% (2014: 0.1% to 1.65%) per annum.

As at the end of the reporting period, the Group has the following bank deposits denominated in foreign currencies:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Bank deposits denominated in:		
Australian dollar	690	278
Renminbi	50,203	–
United States dollar	777	777
	<u>51,670</u>	<u>1,063</u>

19. OTHER PAYABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Tenants' deposits	15,966	18,348
Receipts in advance	3,647	4,270
Others	6,885	6,830
	<u>26,498</u>	<u>29,448</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

20. SHARE CAPITAL

	Number of shares	HK\$'000
Issued and fully paid:		
Ordinary shares of HK\$1 each		
At 1 April 2013	135,000,000	135,000
Transfer from share premium upon abolition of par value (<i>Note</i>)	–	43,216
Ordinary shares with no par value		
At 31 March 2014 and 31 March 2015	135,000,000	178,216

Note: In accordance with the provisions of the Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meeting of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

21. DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities (assets) recognised by the Group and movements during the current and prior years:

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2013	49,503	(248)	49,255
Charge (credit) to profit or loss	3,201	(12)	3,189
At 31 March 2014	52,704	(260)	52,444
Charge (credit) to profit or loss	3,083	(8)	3,075
At 31 March 2015	55,787	(268)	55,519

For the purpose of presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities have been offset.

At 31 March 2015, the Group has unused tax losses of HK\$20,627,000 (2014: HK\$22,537,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$1,624,000 (2014: HK\$1,577,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$19,003,000 (2014: HK\$20,960,000) due to the unpredictability of future profit streams.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

22. PROVISION FOR LONG SERVICE PAYMENTS

The Group did not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme, but makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the end of the reporting period is sufficient to cover the Group's probable obligations. The level of such provision will be reviewed on an annual basis and adjusted as appropriate.

Movements in the provision for long service payments during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
Balance brought forward	1,886	3,046
Additional provision	633	63
Utilisation during the year	(261)	(1,223)
	<hr/>	<hr/>
Balance carried forward	<u>2,258</u>	<u>1,886</u>

In addition to the provision for long service payments, the Group has contributed to the Mandatory Provident Fund Scheme for all employees commencing from 1 December 2000 and the amount charged for the year is HK\$470,000 (2014: HK\$472,000).

23. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

Property rental income earned during the year was HK\$111,347,000 (2014: HK\$96,280,000). The properties held have committed tenants for terms ranging from two months to three years.

At the end of the reporting period, the Group had contracted with tenants for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2015 HK\$'000	2014 HK\$'000
Within one year	82,787	70,023
In the second to fifth year inclusive	78,343	34,458
	<hr/>	<hr/>
	<u>161,130</u>	<u>104,481</u>

24. RELATED PARTY TRANSACTIONS

Other than as disclosed in note 6(b), the Group did not entered any transactions with related party during the year.

The key management personnel of the Group are all directors. Details of their remuneration are disclosed in note 6. The remuneration of directors is determined by the Remuneration and Nomination Committee, having regard to the performance of the individuals and market trends.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

25. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure on a regular basis. As a part of this review, the management of the Group considers the cost of capital and the risks associated with issued share capital and will balance its overall capital structure through payment of dividend and issuing new shares.

26. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Financial assets		
Loans and receivables	281,296	238,825
Available-for-sale investments	36,628	27,391
Investments held for trading	92,201	89,886
Held-to-maturity investment	5,958	7,215
	<u>416,083</u>	<u>363,317</u>
Financial liabilities at amortised cost		
	<u>40,427</u>	<u>32,754</u>

b. Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks that may be faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's activities. The Group through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

Details of the financial instruments are disclosed in the respective notes and the risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

There has been no change to the Group's exposure to risks or the manner in which it manages and measures such risks.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

26. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Foreign currency risk

Certain bank deposits and held-to-maturity investment of the Group are denominated in foreign currencies, and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management regularly monitors the Group's foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	2015 HK\$'000	2014 HK\$'000
Australian dollars	6,648	7,493
Renminbi	50,203	–
United States dollars	777	777
	<u>57,628</u>	<u>8,270</u>

The Hong Kong dollar is pegged to United States dollar and the management is of the opinion that the foreign exchange risk of the bank deposits denominated in United States dollar is insignificant.

The following table details the Group's sensitivity to a 5% (2014: 5%) rate increase or decrease in Hong Kong dollar against Australian dollar and Renminbi. 5% (2014: 5%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2014: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollar weakened 5% (2014: 5%) against the relevant currencies. For a 5% (2014: 5%) strengthening of Hong Kong dollar against the relevant currencies, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2015 HK\$'000	2014 HK\$'000
Australian dollar	278	313
Renminbi	2,096	–
	<u>2,374</u>	<u>313</u>

In management's opinion, the sensitivity analysis is for information purpose only and does not present the foreign exchange risk exposure during the year.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

26. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's cash flow interest rate risk relates primarily to bank deposits with interest at variable rate. The Group is also exposed to fair value interest rate risk in relation to held-to-maturity investment with interest at fixed rate.

The management monitors the cash flow and fair value interest rate risk exposures and will take appropriate action should the need arise.

In view of the current low-interest rate environment, the management is of the opinion that the interest rate risk on bank deposits is insignificant.

(iii) Price risk

The Group is exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles. The Group's equity price risks are mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has assigned a special team of personnel to monitor the prices of the investments and will consider hedging the risk exposure should the need arise.

The sensitivity analysis below is prepared assuming the amount of investments outstanding at the end of the reporting period was outstanding for the whole year and have been determined based on the exposure to equity price on investments at the end of the reporting period. 10% (2014: 10%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in equity price on investments.

If the prices of the investments held-for-trading had been 10% (2014: 10%) higher/lower, the Group's profit for the year ended 31 March 2015 would increase/decrease by HK\$7,699,000 (2014: HK\$7,505,000) as a result of the changes in fair value of investments held-for-trading.

If the prices of the available-for-sale investments had been 10% (2014: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK\$3,663,000 (2014: HK\$2,739,000) as a result of the changes in fair value of available-for-sale investments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

26. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

The Group is exposed to credit risk that the counterparty to a financial instrument will cause a financial loss for the Group by failing to discharge its obligations.

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2015 in relation to each class of recognised financial assets is the carrying amount of those assets in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its held-to-maturity investment, bank and other deposits, bank balances and trade and other receivables. The amounts carried in the consolidated statement of financial position are net of allowances for doubtful receivables estimated by management based on the age of the debts, their knowledge of customers' credit-worthiness and current ability to pay, management's prior experience and their assessment of the current economic environment in which the customers operate. The management reviews the recoverable amounts of significant trade receivables regularly to ensure that adequate allowances for doubtful recovery are recognised if considered appropriate. The Group does not have any concentration of credit risk in their trade receivables as there is a large number of customers.

The credit risk on the Group's bank and other deposits is limited because the counterparties have high credit ratings.

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate working capital, available banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	Non-interest bearing	
	2015 HK\$'000	2014 HK\$'000
0-1 year	21,792	23,350
1-2 years	9,471	6,283
2-5 years	9,164	3,121
Total undiscounted cash flows	<u>40,427</u>	<u>32,754</u>
Carrying amounts	<u>40,427</u>	<u>32,754</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

26. FINANCIAL INSTRUMENTS (Continued)

c. 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\$36,628,000 (2014: HK\$27,391,000) and HK\$92,201,000 (2014: HK\$89,886,000), 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 an 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 consolidated financial statements approximate their fair values. The fair values of financial assets and liabilities included in the Level 3 category have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

There were no transfers between Level 1 and Level 2 in the current and prior years.

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors have made in process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

a. *Held-to-maturity investment*

The directors of the Company have reviewed the Group's held-to-maturity investment in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is HK\$5,958,000 (2014: HK\$7,215,000). Details of the asset are set out in note 15.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

b. *Deferred taxation on investment properties*

For the purposes of measuring deferred tax liabilities or deferred tax assets arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolio and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in measuring the Group's deferred taxation on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. As a result, the Group has not recognised any deferred taxes on changes in fair value of investment properties as the Group is not subject to any income taxes on disposal of its investment properties situated in Hong Kong.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

a. *Fair value of investment properties*

At the end of the reporting period, the Group's investment properties are carried at a total fair value of HK\$3,176,400,000 (2014: HK\$2,667,400,000) based on the valuation performed by independent qualified professional valuers and the directors of the Company. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

b. *Useful lives of property, plant and equipment*

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment with a carrying amount of HK\$94,790,000 (2014: HK\$101,460,000). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c. *Estimated provision for impairment of trade and other receivables*

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables with a carrying amount of HK\$6,231,000 (2014: HK\$7,484,000). Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible/recoverable. The identification of doubtful debts requires the use of estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact the carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

27. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

d. Fair value measurements and valuation processes

The Group's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company regularly assess the impact and the cause of fluctuations in the fair value of the assets.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 12 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

28. CAPITAL COMMITMENTS

	2015 HK\$'000	2014 HK\$'000
Capital expenditure in respect of refurbishment of investment properties contracted for but not provided in the consolidated financial statements	<u>115,050</u>	<u>–</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2015 HK\$'000	2014 HK\$'000
Non-current assets		
Property, plant and equipment	98	94
Investments in subsidiaries	41,133	41,133
Amounts due from subsidiaries	387,720	432,877
Available-for-sale investments	36,628	27,391
	<u>465,579</u>	<u>501,495</u>
Current assets		
Investments held for trading	8,862	9,954
Trade and other receivables	666	602
Amounts due from subsidiaries	285,608	228,987
Tax recoverable	2,002	2,002
Bank deposits	10,035	–
Bank balances and cash	25,279	38,830
	<u>332,452</u>	<u>280,375</u>
Current liabilities		
Other payables	5,769	3,943
Amounts due to subsidiaries	30,860	56,026
	<u>36,629</u>	<u>59,969</u>
Net current assets	<u>295,823</u>	<u>220,406</u>
	<u>761,402</u>	<u>721,901</u>
Capital and reserves		
Share capital	178,216	178,216
Reserves (<i>Note</i>)	582,310	542,989
	<u>760,526</u>	<u>721,205</u>
Non-current liability		
Provision for long service payments	876	696
	<u>761,402</u>	<u>721,901</u>

Approved and authorised for issue by the Board of Directors on 25 June 2015 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Reserves

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2013	43,216	17,137	577,104	637,457
Fair value loss of available-for-sale investments	–	(4,523)	–	(4,523)
Loss for the year	–	–	(4,879)	(4,879)
Total comprehensive loss for the year	–	(4,523)	(4,879)	(9,402)
Dividends paid (<i>note 10</i>)	–	–	(41,850)	(41,850)
Transfer to share capital upon abolition of par value under the Hong Kong Companies Ordinance, Cap. 622 (<i>Note</i>)	(43,216)	–	–	(43,216)
At 31 March 2014	–	12,614	530,375	542,989
Fair value gain of available-for-sale investments	–	9,237	–	9,237
Profit for the year	–	–	90,834	90,834
Total comprehensive income for the year	–	9,237	90,834	100,071
Dividends paid (<i>note 10</i>)	–	–	(60,750)	(60,750)
At 31 March 2015	–	21,851	560,459	582,310

Note: In accordance with the provisions of the Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2015

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2015 and 31 March 2014 are as follows:

Name of company	Place of incorporation/ registration	Paid-up capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			2015	2014	
Safety Logistics Services Limited	Hong Kong	HK\$10,000,000 Ordinary shares	100%	100%	Operating godown
Chi Kee Investment Company Limited	Hong Kong	HK\$500,000 Ordinary shares	100%	100%	Property investment
Chivas Godown Company Limited	Hong Kong	HK\$10,000,000 Ordinary shares	100%	100%	Property investment and holding godown
Gaylake Limited	Hong Kong	HK\$1,000 Ordinary shares	100%	100%	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Property investment
Good Ready Investment Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Property investment
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Securities trading

The above table lists the major subsidiaries of the Group which, in the opinion of the directors, principally affect the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. A complete list of all the Company's subsidiaries will be annexed to the next annual return.

All the subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

Particulars of Major Properties

Particulars of major properties which were held by the Group at 31 March 2015 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq.ft.</i>	Type
The whole of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	421,000	Industrial/godown premises
The whole of Chivas Godown (except 1/F to 7/F) 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	121,500	Godown premises

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq.ft.</i>	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000 and 101 car-parking spaces	Industrial/office
1/F to 7/F of Chivas Godown 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	318,500	Godown premises

安全貨倉集團

SAFETY GODOWN GROUP

九龍觀塘榮業街2號振萬廣場13樓1305-1306室

Units 1305-1306, 13th Floor, Lu Plaza, 2 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong.