



Annual Report
年報 2016

安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

Contents

	<i>Page</i>
Corporate Information	2
Biographical Information of Directors and Senior Management	3
Five Year Financial Summary	4
Executive Director's Statement	5-6
Corporate Governance Report	7-14
Directors' Report	15-26
Independent Auditor's Report	27
Consolidated Statement of Profit or Loss and Other Comprehensive Income	28
Consolidated Statement of Financial Position	29
Consolidated Statement of Changes in Equity	30
Consolidated Statement of Cash Flows	31
Notes to the Consolidated Financial Statements	32-65
Particulars of Major Properties	66

Corporate Information

DIRECTORS

Executive Directors

Mr. Lu Sin (Deceased on 5 April 2015)
Mr. Lu Wing Yee, Wayne
Mr. Oen Min Tjin (Deceased on 15 August 2015)

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

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

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

REGISTERED OFFICE

Unit 1801, 18th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

237

KEY DATES

Final Results Announcement	28 June 2016
Annual General Meeting	18 August 2016
Closure of Register of Members	i) 15 to 18 August 2016 (both days inclusive) ii) 25 to 29 August 2016 (both days inclusive)
Record Date for Final Dividend and Special Dividend	29 August 2016
Payment of Final Dividend and Special Dividend	on or around 9 September 2016

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Lu Wing Yee, Wayne, aged 42, 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.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, JP, aged 56, 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 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, China Pacific Insurance (Group) Co., Ltd. and Esprit Holdings Limited. Mr. Lee was a non-executive director of Y.T. Realty Group Limited and an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd, public companies listed on the Stock Exchange, from September 2004 to February 2016 and from June 2009 to June 2015 respectively. In addition, Mr. Lee served as the Chairman of the Listing Committee of the Stock Exchange from May 2012 to July 2015 after serving as deputy chairman and member of the Listing Committee of the Stock Exchange from 2009 to 2012 and from 2000 to 2003 respectively. Mr. Lee is a member of the SFC (HKEC Listing) Committee 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 70, 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 64, 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 68, 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 has been a director of World Super Limited (which is in the process of obtaining a listing on the stock exchange GEM board) since 4 December 2015. 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 Huei Ru, aged 67, 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

	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000	2012 HK\$'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Turnover					
Godown operations	37,456	38,141	38,560	32,752	31,150
Property investment	108,612	111,347	96,280	84,030	76,222
Treasury investment	7,934	6,928	4,316	2,976	4,569
	<u>154,002</u>	<u>156,416</u>	<u>139,156</u>	<u>119,758</u>	<u>111,941</u>
Profit attributable to owners of the Company					
Godown operations	20,354	22,568	22,258	19,090	16,615
Property investment	82,241	90,168	81,428	63,590	54,666
Treasury investment	21,547	2,928	(10,100)	6,787	3,891
Gain on disposal of property, plant and equipment	326,574	–	–	–	–
Increase in fair value of investment properties	431,651	508,772	132,494	754,508	251,635
Other administrative cost	(9,208)	(5,930)	(4,585)	(4,863)	(5,262)
Profit before taxation	873,159	618,506	221,495	839,112	321,545
Taxation	(27,440)	(19,236)	(16,838)	(14,992)	(12,618)
Profit for the year attributable to owners of the Company	<u>845,719</u>	<u>599,270</u>	<u>204,657</u>	<u>824,120</u>	<u>308,927</u>
Consolidated Statement of Financial Position					
Total assets	4,650,603	3,692,256	3,136,730	2,973,523	2,176,067
Total liabilities	(122,091)	(105,154)	(97,385)	(92,462)	(82,208)
Equity attributable to owners of the Company	<u>4,528,512</u>	<u>3,587,102</u>	<u>3,039,345</u>	<u>2,881,061</u>	<u>2,093,859</u>
Per Share					
Earnings per share	HK\$6.26	HK\$4.44	HK\$1.52	HK\$6.10	HK\$2.29
Dividends per share	HK\$4.22	85 cents	36 cents	35 cents	HK\$1.19
Dividend payout ratio (Note 1)	80.67%	126.80%	67.35%	67.88%	280.41%
Net asset value per share	HK\$33.54	HK\$26.57	HK\$22.51	HK\$21.34	HK\$15.51
Ratios					
Return on average shareholders' funds	20.84%	18.09%	6.91%	33.13%	15.26%
Current ratio (Note 2)	32.62:1	13.17:1	9.90:1	11.08:1	11.34:1
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 unrealised 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 Director's Statement

We are pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2016.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK12 cents per share, amounting to HK\$16,200,000 and a special dividend of HK\$3.88 per share, amounting to HK\$523,800,000 for the year ended 31 March 2016, to shareholders whose names appear on the register of members on 29 August 2016 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 9 September 2016. Together with the interim dividend of HK7 cents per share and special dividend of HK15 cents per share already paid, the total distribution for the year ended 31 March 2016 will be HK\$4.22 per share. Total distribution for the previous year was HK85 cents per share.

BUSINESS REVIEW

Throughout the year the economies of Hong Kong, the U.S. and China have shown signs of slowing. The economy of the U.S. grew only 0.5% in the first quarter. The growth rate of China dropped below 7% with increasing downward pressure, painting a grim outlook. The Hong Kong economy is negatively impacted by these factors. The impact of the substantial fall in stock market since mid-2015 and the softening in tourism and retail market have caused the trading, logistics and other auxiliary businesses to suffer from different levels of decline. The real estate market, excluding certain prestigious segments, encountered downward pressure in price and rentals.

The Group rental income for the year 2015-16 fell by 2.46% to HK\$108,612,000. This is attributed to the sales of Chivas Godown, as well as construction work for the Lu Plaza revitalization. The rental income would have increased had it not been affected by the revitalization work of Lu Plaza.

While the overall economy is not ideal, the godown business recorded only a slight decrease of 1.8% to HK\$37,456,000, mainly due to our good relationship with customers and competitive pricing.

Profit on treasury investment was recorded at HK\$21,547,000 during the year.

During the year, profit attributable to shareholders amounted to HK\$845,719,000, appreciated by HK\$246,449,000 against last year. The increase in profit was mainly derived from additional profit generated from the sale of Chivas Godown. The Group's core business profits after deducting profit on sale of Chivas Godown and gain on investment property revaluation amounted to HK\$102,071,000, an increase of HK\$11,573,000 compared to last corresponding period.

DISPOSAL OF CHIVAS GODOWN

The Group entered into a sale and purchase agreement with Apollo Luck Limited in November 2015. This agreement was to dispose of the Chivas Godown property located at Ka Yip Street, Chai Wan, owned by a wholly-owned subsidiary, Chivas Godown Company Limited, at the consideration of HK\$1,550,000,000. The Group recorded profits totalling HK\$618,542,000 (inclusive of HK\$292,118,000 as increase in fair value of investment properties and HK\$326,424,000 as gain on disposal of property, plant and equipment). The transaction was completed in December 2015. Related details of the said transaction had been published in the 30 December 2015 Circular, and had been mailed to shareholders. The Group considered the decision for sale was appropriate given the likelihood of a rate hike in the U.S. at the time of disposal that would negatively impact property price. The disposal could unlock the value of the investment.

SPECIAL DIVIDEND

In view of the extraordinary gains arising from the sale of Chivas Godown, the Board decided to declare a special dividend of HK\$3.88 per share. Together with the ordinary final dividend of HK\$0.12 per share, the total final dividend amounted to HK\$4.00 per share, or HK\$540,000,000. The dividend rewards shareholders for years of support and loyalty. Such dividends will be paid after the approval at the forthcoming Annual General Meeting.

Executive Director's Statement

OUTLOOK

Global economies face numerous uncertainties. Both developed and developing economies are slowing down, or even dipping into recessions. Originally it was anticipated that the U.S. would have a more meaningful interest rate hikes. But due to weak economic data, the rate hike speed is likely to slow down. Despite this, the benefit of keeping interest rate low on such a low interest rate environment is questionable. The newly introduced and continuous quantitative easing by major central banks create huge uncertainties to the already expensive stock and real estate markets. The Hong Kong economy, subject to the currency peg and slowing down of China's economy, is likely to remain volatile for some time. Last weekend, Britain voted to leave EU, which would definitely increase the volatility of the global economy.

We anticipate the results of 2016-17 to be lower than that of this year. Rental income will fall by about HK\$30,000,000 after the disposal of Chivas Godown property, and the revitalization work of Lu Plaza will continue its various stages of construction, therefore it is unlikely that rental income will be enhanced. Godown income is hard to be optimistic as well given the softening of the Hong Kong economy. In view of the volatile stock market condition, we cannot place much expectation on the investment returns. After payment of the special dividend, the Group plans to invest part of the remaining sale proceeds in stable income investment instruments such as bonds and REITs, with a view to partially covering the drop in rental income. The remaining portion will serve as a war chest to capture further investment opportunities in the fluctuating markets. We believe that the fluctuation in global economy will continue for a period of time. There may have been a relatively greater ups and downs in stock and property prices, which may offer opportunities to buy on dips.

IN REMEMBRANCE OF MR. OEN

Mr. Oen Min Tjin, the late Executive Director of Safety Godown, passed away on 15 August 2015. Mr. Oen had been at the right-hand side of our late Chairman for half a century and had immense contributions to the Company, ever so loyal and industrious. Mr. Oen's passing is a great loss to the Group, the Board and all employees of the Group grieve the loss and express their deepest condolences to the family of Mr. Oen.

THANK YOU

Last but not least, I would like to express my appreciation to the Board of Directors of Safety Godown Group for their premonition and guidance, our management team and employees for their labour and loyalty, and our clients and suppliers for their support and aid. The Group continues to grow and develop with this. The Group will continue the wishes of our founder and late Chairman, Mr. Lu Sin, to thrive and flourish into a bigger and stronger enterprise.

Lu Wing Yee, Wayne

Director

Hong Kong, 28 June 2016

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 2016 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

Code Provisions A.2.1 to A.2.9 stipulate (i) that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual and (ii) the role and responsibility of the chairman of the board and the chief executive officer.

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

The Board has kept review of its current structure from time to time. If any candidate with suitable skills and experiences is identified within or outside the Group, the Company will make necessary appointment to fill these positions in due course.

Code Provision A.4.1 stipulates that Non-executive directors should be appointed for a specific term. However, all Non-executive Directors of the Company 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) of the Company are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company's Articles of Association. The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provisions.

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

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

Code Provision F.1.3 stipulates that the company secretary should report to the chairman of the board and/or the chief executive.

As the position of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reported to the Executive Director of the Company.

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

MODEL CODE FOR 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 2016.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is currently composed of one Executive Director, one Non-executive Director and three Independent Non-executive Directors. Over half 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 during the year is shown below.

There is no financial, business, family and other material relationship among members of the Board. Biographies of the Directors which include relationship among members of the Board are set out on page 3 under the subject Biographical Information of Directors and Senior Management.

The Company held an annual general meeting and eight 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 Wing Yee, Wayne	8/8	1/1
Mr. Lu Sin (deceased on 5 April 2015)	N/A	N/A
Mr. Oen Min Tjin (deceased on 15 August 2015)	2/2	0/1
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	8/8	0/1
<i>Independent Non-executive Directors</i>		
Mr. Gan Khai Choon	8/8	0/1
Mr. Lam Ming Leung	8/8	0/1
Mr. Leung Man Chiu, Lawrence	7/8	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.

Corporate Governance Report

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 2016, 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.

The training each Director received during the year ended 31 March 2016 is summarized as below:

Name of Director	Reading materials regarding regulatory update and corporate governance matters
<i>Executive Director</i> Mr. Lu Wing Yee, Wayne	√
<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

Code Provisions A.2.1 to A.2.9 stipulate (i) that the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual and (ii) the role and responsibility of the chairman of the board and the chief executive officer.

The late Mr. Lu Sin, the founder of the Group, assumed the roles of both the Chairman and Chief Executive Officer of the Company. Following the death of Mr. Lu Sin, 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. Until the appointment of a new Chairman, the Board collectively focus on the overall strategic planning and development of the Group and effective functioning of the Board. Also until the appointment of a new Chief Executive Officer, the Executive Director will continue to oversee the day-to-day management of the business and operations of the Group.

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.

Corporate Governance Report

BOARD COMMITTEES (Continued)

Remuneration and Nomination Committee (Continued)

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.

During the year, three 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	3/3
Mr. Lee Ka Sze, Carmelo	3/3
Mr. Leung Man Chiu, Lawrence	3/3
Mr. Gan Khai Choon	3/3

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	1/2
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 2016;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 September 2015;
- (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 the Management and the Board were of sufficient importance to require disclosure in the Annual Report.

CONSTITUTIONAL DOCUMENT

The constitutional documents of the Company can be found on the websites of the Company and The Stock Exchange of Hong Kong Limited.

During the year, there is no change in the Company's constitutional documents.

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 2017. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 18 August 2016.

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

Nature of services	2016 HK\$	2015 HK\$
Review fee for interim results	136,800	132,800
Audit fee for final results	869,000	861,000
Taxation consultancy services fee	155,400	125,000
Professional services related to circular for disposal of Chivas Godown	338,000	–
Total audit and non-audit services	<u>1,499,200</u>	<u>1,118,800</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 27 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 2016. 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 2016. 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 2016 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 2016 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 electronic 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
Unit 1801, 18/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 electronic 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 Remuneration and 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 Remuneration and 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. Lu Wing Yee, Wayne, 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 pages 24 to 25.

Lu Wing Yee, Wayne
Director

Hong Kong, 28 June 2016

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 2016.

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 2016 are set out in the consolidated statement of profit or loss and other comprehensive income on page 28.

An interim and special dividends of HK7 cents and HK15 cents per share, amounting to HK\$9,450,000 and HK\$20,250,000 were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK12 cents per share amounting to HK\$16,200,000 and a special dividend of HK\$3.88 per share amounting to HK\$523,800,000 to the shareholders whose names appear on the register of members on 29 August 2016, and the retention of the remaining profit for the year of HK\$276,019,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2016, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$1,862,364,000 (2015: HK\$419,346,000).

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 (deceased on 15 August 2015)

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. Lee Ka Sze, Carmelo and Mr. Gan Khai Choon 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 2016 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 and Mr. Oen Min Tjin who deceased on 15 August 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 are Ms. Chan Koon Fung, Mr. Ng Gei, Mr. Lo Tai On and Mr. Huen Po Wah.

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2016, the interests of the directors of the Company 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	Personal interests	Number of issued ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
		Family interests	Corporate interests	Others		
Mr. Lu Wing Yee, Wayne	7,910,420	–	23,440 ¹	59,603,106 ²	67,536,966	50.03%
Mr. Lam Ming Leung	10,000	–	–	–	10,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares held by a company which was 100% controlled by himself.
2. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 59,603,106 shares (49,203,445 shares of which were held through Kian Nan Financial Limited) as he was one of the executors of the estate of Mr. Lu Sin (deceased).

Other than as disclosed above, none of the directors or chief executives of the Company 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 2016.

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' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Other than as disclosed in note 6(b) to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company, its holding company or any of its fellow 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.

Directors' Report

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

PERMITTED INDEMNITY PROVISIONS

The Company's Articles of Association provide that every director, managing director, auditor, company secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by him in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connexion with any application as specified therein in which relief is granted to him by the court.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2016, 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	49,203,445	–	36.45%
Eargold Limited	10,350,000	–	7.67%
Ms. Chan Koon Fung	2,589,500	69,953,106 ¹	53.74%

Note:

1. Among these 69,953,106 shares, (a) Ms. Chan Koon Fung was taken to be interested in 10,350,000 shares which were held by Eargold Limited, in which Ms. Chan owned 50%; and (b) she was taken to be interested in 59,603,106 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased). Among the 59,603,106 shares referred to in (b) above, 49,203,445 shares were held through Kian Nan Financial Limited.

Other than as disclosed above, at 31 March 2016, 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 shares of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 13% (2015: 12%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 35% (2015: 36%) 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 listed 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 2016.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$718,000.

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 2016 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 7 to 14 of the Annual Report.

BUSINESS REVIEW

A review of the business of the Group during the year and discussion on the Group's future business development are provided in the Executive Director's Statement on pages 5 to 6.

An overview of the Group's operations, a review of the financial performance of the Group's business segment, liquidity and financial resources, compliance with regulations, relationships with its key stakeholders, social responsibilities, environmental policy and description of the principal risks and uncertainties that the Group faces are set out below.

These discussion forms part of this Report of the Directors.

Directors' Report

OVERVIEW

Safety Godown Co Ltd founded in 1960, with business focus on godown operations, property leasing and financial investments in Hong Kong. We currently own two major properties – Lu Plaza, situated at No. 2 Wing Yip Street, Kwun Tong and Safety Godown, situated at 132-140 Kwok Shui Road, Kwai Chung. Chivas Godown situated at 60 Ka Yip Street, Chai Wan was disposed to a third party unrelated to the Group in November 2015. For the details of the Group's properties, please refer to Particulars of Major Properties section on page 66.

Godown operations

Our godown business primary provides public storage space for customers. We operate two godowns in Hong Kong, Safety Godown situated at 132-140 Kwok Shui Road, Kwai Chung and Chivas Godown at 60 Ka Yip Street, Chai Wan (which was disposed in November 2015). There are 11 storeys in SG totalling 421,000 square feet within which 9 storeys are used for godown operations and 2 storeys were leased out to a tenant. Our clientele includes a large variety of companies from different industries. Newspaper customers, constituted about 20% of the total revenue of our godown business have been our major client. As for Chivas Godown's 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.

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.

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 godown companies in 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.

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 No. 2 Wing Yip Street, Kwun Tong, Kowloon, G/F and 8/F of Safety Godown situated at 132-140 Kwok Shui Road, Kwai Chung and 1/F to 7/F of Chivas Godown, 60 Ka Yip Street, Chai Wan (which was disposed in November 2015). Lu Plaza has 430,000 sq. ft. of office space in total plus 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 G/F and 8/F of Safety Godown and 1/F to 7/F of Chivas Godown floor by floor with total about 74,000 sq. ft. and 318,500 sq. ft. floor space respectively. Most of our leases last for two to three years. The remaining non-core properties of the Group include container truck parking space 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.

Competition in the office leasing market is intense. Our competitors are commercial real estate landlords particularly those with properties near our properties. Such intense 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.

Directors' Report

OVERVIEW (Continued)

Treasury investment

Our treasury investment business includes investing surplus cash from operations in listed securities in Hong Kong and overseas stock market, local, foreign currencies 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 Euro, Renminbi, Australian Dollar, US Dollar, etc. We also invest in bonds to receive interest income. The objectives of our investment are to strike a balance between risk and return and maximize return to shareholders.

FINANCIAL REVIEW

The Group's audit consolidated profit attributable to shareholders for the year increased by 41.12% to HK\$845,719,000 (2015: rose by 193% to HK\$599,270,000). The reported profit includes an unrealized increase in fair value of investment properties of HK\$139,533,000, compared to HK\$508,772,000 for the last corresponding period. The Group's underlying profit, excluding the effect of unrealized fair value changes on investment properties, amounted to HK\$706,186,000, surged 680.33% compared to HK\$90,498,000 last year. The increase in profit was mainly attributable to the gain on disposal of Chivas Godown of HK\$618,542,000 this year. Total revenue of the Group marginally reduced by 1.54% to HK\$154,002,000 (2015: HK\$156,416,000) against the backdrop of global economic growth.

Shareholders fund grew by 26.24% to HK\$4,528,512,000 as at 31 March 2016 (31 March 2015: HK\$3,587,102,000), with the net asset value per share of the Company valued at HK\$33.54 (31 March 2015: HK\$26.57). Earnings per share for the year recorded at HK\$6.26 (2015: HK\$4.44). With the market share price of the Company as at 31 March 2016 closed at HK\$18.92 (31 March 2015: HK\$12.20), the P/E ratio of the share was 3.02 (31 March 2015: 2.75).

Godown operations

Over the year under review, the Hong Kong economy faced a challenging and unsteady external environment. Most advanced economies were in a fragile state, Hong Kong export of goods deteriorated. Cargo and trade flows remained sluggish. The prolong weakness in external economy affected the godown business. In view of the slowdown in global economics and possible further US interest rate hikes, the Board decided to dispose Chivas Godown property to unlock the value of the Group's investment.

During the year, the Group had disposed the Chivas Godown property located at No. 60 Ka Yip Street, Chai Wan, Hong Kong with a book value of approximately HK\$915,000,000 at the consideration of HK\$1,550,000,000 and recognized a profit on disposal of HK\$618,542,000.

Directors' Report

FINANCIAL REVIEW (Continued)

Godown operations (Continued)

Before the disposal, 1/F to 7/F of Chivas Godown was recorded as Investment Property in the book of Chivas Godown while G/F, 8/F and the rest of the godown was recorded as Property, Plant and Equipment. Therefore the gain on disposal of HK\$618,542,000 was also split into two parts and recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 28. The breakdowns are shown as below:

	<i>HK\$'000</i>
Increase in fair value of investment properties on disposal of 1/F to 7/F of Chivas Godown	292,118
Unrealized increase in fair value of investment properties of the rest of the Group	139,533
	<hr/>
Increase in fair value of investment properties as shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	431,651
	<hr/> <hr/>
Gain on disposal of G/F, 8/F and the rest of Chivas Godown	326,424
Gain on disposal of other Property, Plant and Equipment	150
	<hr/>
Gain on disposal of Property, Plant and Equipment as shown in the Consolidated Statement of Profit or Loss and Other Comprehensive Income	326,574
	<hr/> <hr/>

Total revenue generated from godown operations slipped 1.8% from HK\$38,141,000 to HK\$37,456,000 while segment profit decreased by 9.81% to HK\$20,354,000. The loss of revenue and profit was mainly due to the sale of Chivas Godown resulted in a reduction in godown income. Operating expenses increase as a result of increase in warehouse rental expenses which arose from the lease back of the 8/F of Chivas Godown from the Purchaser to maintain the godown operation for one year commencing from the date of completion of the sale in mid December 2015. Previously G/F and 8/F of Chivas Godown were designated for godown business.

Part of the godown in Kwai Chung was leased to a third party to receive rental income. Due to the drop in storage capacity, the average occupancy level of our godown increased from 64% to 69% on a year-on-year basis. The average storage price also jumped to HK\$78 (2015: HK\$67) because of increase in storage rate and the change in source of goods.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy level, being percentage of godown space occupied by goods. Average storage price per cubic meter (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 35,500 to 43,500 CBM and that of Chivas Godown is 12,000 CBM
- 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 2015

Directors' Report

FINANCIAL REVIEW (Continued)

Property investment

During the year under review, Hong Kong property market remained in consolidation mode, trading volume tumbled and residential property prices shed. Residential flat and shop rentals dropped while office rentals remained strong.

Total rental income decreased by 2.46% to HK\$108,612,000 (2015: HK\$111,347,000). The drop in rental income was mainly resulted from the disposal of Chivas Godown. Average office rental at Lu Plaza rose to around HK\$16 (2015: around HK\$15) per square feet with overall average occupancy level dropped to around 76.5% (2015: 85%). The Group will adjust its mix of properties for property investment and godown premises purposes from time to time and to enhance its existing investment property to improve recurring income of the Group.

Revitalization works in Lu Plaza has been underway since June 2015 to transform it to non-industrial use in order to upgrade and enhance the quality of the property. Completion of the revitalization project is expected to take place by early 2017.

At the year-end date, the Group had an investment property portfolio of approximately HK\$2,694,200,000, comprise mainly office and industrial premises and recorded an increase in fair value of HK\$431,651,000 (2015: HK\$508,772,000). The fair value gain comprised HK\$292,118,000 (2015: unrealised fair value gain of HK\$119,000,000) attributable to disposal of the investment property portion of Chivas Godown.

The average occupancy level of the Group's investment properties dropped from 91% in 2015 to 84% in current year. The drop in occupancy rate was mainly attributable to the disposal of Chivas Godown, which is 100% occupied before disposal. The disposal of Chivas Godown in December 2015 drag down the average occupancy rate in the remaining properties to under 80% even though there is no significant changes in the occupancy rate of the remaining properties. The average monthly rental income per square feet increased from HK\$12.9 in 2015 to HK\$15, which is attributable to increase in rental rate during the year.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy level, being percentage of floor area occupied by tenant. Average monthly rental income per square feet (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 2015

Treasury investment

Weighed by a subdued global economic outlook, concerns over further US interest rate hike and sharp decline in commodity prices, the China stock prices went on a roller-coaster ride and Hong Kong stock market showed sharp fluctuations during the year. Hang Seng Index recorded a seven-year high of 28,442 points in April 2015, subsequently suffered on sharp correction in summer 2015 and hit the low of 18,319 in early 2016. As at 31 March 2016, Hang Seng Index finished at 20,776 points, declined by 16.75% over the period under review.

Under such volatile market, the Group reduced its portfolio weightings in available-for-sale investments during the year and realized a gain on disposal of HK\$62,206,000. The available-for-sale investment also registered a fair value gain of HK\$16,830,000 (2015: HK\$9,237,000) during the year which was recognized in other comprehensive income and accumulated in investment revaluation reserve. Income from treasury investment which comprises interest income and dividend income increased by 14.52% to HK\$ 7,934,000 while the investment held for trading instruments suffered from a fair value loss of HK\$44,511,000 (2015: fair value gain of HK\$2,479,000).

Directors' Report

FINANCIAL REVIEW (Continued)

Treasury investment (Continued)

Securities investment held for trading at the end of the year increased to HK\$197,684,000 (2015: HK\$92,201,000). Available-for-sale investments and investments held for trading comprise of securities listed in Hong Kong and overseas stock market.

During the year, the US dollar strengthened against most major currencies including Australian, Euro and Renminbi which the Group had such foreign currencies fixed deposits during the year. As such, an exchange loss of HK\$983,000 (2015: HK\$5,461,000) was incurred.

OPERATING COST

Major components of operating costs are staff costs, repairs and maintenance and others administrative costs. Total staff costs incurred for the year increased by 7.11% to HK\$18,550,000 (2015: HK\$17,318,000). Some of the Group's operating expenses have increased during the year, including warehouse rental expense arising from lease back of 8/F of Chivas Godown, commission paid to property agents due to introduction of tenants to lease the Group's investment properties and charges paid to securities brokers for sales and purchase of listed investments.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to uphold its prudent financial management policies and maintained a strong cash position. Total cash and bank balance as at 31 March 2016 amounted to HK\$1,634,474,000 (2015: HK\$273,913,000), up 496.71% which includes sales proceeds from the disposal of Chivas Godown in the amount of HK\$1,550,000,000, and the Group does not have any kind of loans or borrowings. Most of the bank deposits were denominated in Hong Kong dollars. The strong cash position offers protection against tough times and it also gives the Group more options for future investments.

Cash flow from operating activities before movement in working capital amounted to HK\$97,237,000 (2015: HK\$118,545,000), fell 17.97% mainly due to the loss of godown income and rental income arising from disposal of Chivas Godown. As at 31 March 2016, net current assets amounted to HK\$1,799,370,000 (31 March 2015: HK\$349,738,000) with current ratio of 32.62 times (31 March 2015: 13.17 times). The strong recurring income base provides the Group with a solid financial foundation for future development.

COMPLIANCE WITH REGULATIONS

Among the principal activities of the Group is godown operations and property investment in Hong Kong. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those that have significant impact on the godown operations and property investment industry; any changes in the applicable laws, rules and regulations affecting godown operations and property investment are brought to the attention of relevant employees and relevant operation teams from time to time. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data.

Directors' Report

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The Group considers its employees the key to sustainable business growth and is committed to providing all employees a safe and harassment free work environment with equality opportunities in relation to employment, reward management, training and career development. Workplace safety is a priority of the Group. The Group is keen in ensuring health and safety measures are followed while in the performance of duties by our employees as a result reducing total lost days to work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job-related trainings and provides sponsorship/subsidies to employees who are committed to personal development and learning.

As at 31 March 2016, the Group employed 44 (31 March 2015: 53) employees. The reduction was mainly caused by retirement of aged staff and restructuring of the Group's business. Total staff cost increased by 7.11% to HK\$18,550,000 (2015: HK\$17,318,000) because of a one-off special bonus issued during the year. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. 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 fulfill their immediate and long-term need. For our customer of godown operation business, we deliver high quality logistics service and meet our customers' need. For our property investment business, we employed high quality property management company to manage our major investment properties. Tenant's need and feedback are communicated through the property manager from time to time to improve the management service so that tenants' satisfaction could be maintained.

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. The selection of major suppliers or contractors is conducted through tendering process in the Group's business. The management of the Group regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Safety Godown Group pays great attention not only to the harmonious development of the corporation and the society, but also to boost its competitiveness. While achieving continuing development of the corporation, the Group actively practices its social responsibilities in order to reciprocate to the society.

This year, the Group has continued to sponsor the 13th "Hong Kong Synergy 24 Drum Competition", and provided venue at the headquarter lobby for their "Outreach program" in promoting Chinese music. Besides, the Group has supported wholesome sports activity such as sponsoring the annual FIVB Volleyball World Grand Prix in Hong Kong.

The Group encouraged employees to participate in blood drive sponsored by Red Cross; lent out units at Lu Plaza to World Vision Hong Kong as used book collection centre to support their annual "Used Book Recycling Campaign". Furthermore, the Group has organized voluntary visits during the Mid-Autumn Festival and Christmas to "Kwong Yum Care Home" to celebrate festive moments with the elderly. By purchasing various goods like mooncake made by the disabled from social enterprises – Caritas "La Vie"; cardboard boxes from the Hong Kong Society for the Blind; and Christmas hampers from "Fairtaste", the Group has been enthusiastic in supporting the disadvantaged to work. Employees are encouraged to participate in the World Vision's "Skip-A-Meal" to care for starving children and in the Flag Day organized by the Senior Citizen Home Safety Association (SCHSA).

Directors' Report

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY (Continued)

The Group positively promotes environmental protection by encouraging employees and tenants to participate in recycling “Chinese new year red pockets”, clothing, old computers and electrical appliances. In addition, we persist to enhance energy conservation and paper recycling at our offices. Energy conservation and greening are our priorities, especially in the design of the revitalization of Lu Plaza.

The Hong Kong Council of Social Service has awarded us again for the “Ten Plus Caring Company” logo this year.

PRINCIPAL RISK AND UNCERTAINTY

In general, all of the Group's immovable assets are located in, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong and the property market, the interest rate changes and the political and legal situation in Hong Kong may have a significant impact on the Group's operating results and financial condition. Specific key risks of the Group's business are discussed as below. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Godown operations

Global economic condition, especially in Mainland China, Europe and Asia Pacific could have effect on the international trade which in turn could have a significant impact on the godown business. 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.

Property investment

Financial performance may be materially and adversely affected in the event of a decline in rental or occupancy levels, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacement tenants at rental rates equal to or above the current rental rates for tenancies.

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\$181,000,000. 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 labour 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.

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 Standards, the gain/loss on the listed securities of the Group should be booked as fair value gain/loss on investment held for trading in the Statement of Profit and 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 is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit risks in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 26 to the Financial Statements from pages 59 to 62.

Directors' Report

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.

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 Director's Statement on pages 5 to 6.

PLEDGE OF ASSETS

As at 31 March 2016, the Group did not have any pledge of assets.

CONTINGENT LIABILITIES

As at 31 March 2016, the Group did not have any significant contingent liabilities.

CLOSURE OF MEMBERS REGISTER

To ascertain the shareholders' entitlement to attend and vote at the meeting, the Register of Members will be closed from Monday, 15 August 2016 to Thursday, 18 August 2016, 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 Friday, 12 August 2016.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Thursday, 25 August 2016 to Monday, 29 August 2016, 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, 24 August 2016.

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

Hong Kong, 28 June 2016

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 28 to 65, which comprise the consolidated statement of financial position as at 31 March 2016, 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 2016, 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
28 June 2016

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Turnover	4	154,002	156,416
Income from godown operations		37,456	38,141
Income from property investment		108,612	111,347
Fair value (loss) gain on investments held for trading		(44,511)	2,479
Gain on disposal of available-for-sale investments		62,206	–
Interest income		2,813	2,669
Dividend income		5,121	4,259
Other income and gains		753	327
Gain on disposal of property, plant and equipment		326,574	–
Increase in fair value of investment properties	12	431,651	508,772
Staff costs		(18,550)	(17,318)
Depreciation of property, plant and equipment		(6,705)	(6,806)
Other expenses		(32,261)	(25,364)
Profit before taxation	8	873,159	618,506
Taxation	9	(27,440)	(19,236)
Profit for the year attributable to owners of the Company		845,719	599,270
Other comprehensive income (expense)			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owner-occupied property to investment properties		214,389	–
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Fair value gain on available-for-sale investments		16,830	9,237
Investment revaluation reserve released upon disposal of available-for-sale investments		(18,078)	–
Other comprehensive income for the year		213,141	9,237
Total comprehensive income for the year attributable to owners of the Company		1,058,860	608,507
Earnings per share – Basic	11	HK\$6.26	HK\$4.44

Consolidated Statement of Financial Position

At 31 March 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Investment properties	12	2,694,200	3,176,400
Property, plant and equipment	13	76,963	94,790
Available-for-sale investments	14	23,155	36,628
Held-to-maturity investment	15	–	5,958
		<u>2,794,318</u>	<u>3,313,776</u>
Current assets			
Held-to-maturity investment	15	5,946	–
Investments held for trading	16	197,684	92,201
Trade and other receivables	17	16,962	10,364
Tax recoverable		1,219	2,002
Bank deposits	18	834,146	101,411
Other deposits	18	114,988	31,073
Bank balances and cash	18	685,340	141,429
		<u>1,856,285</u>	<u>378,480</u>
Current liabilities			
Other payables	19	44,084	26,498
Tax payable		12,831	2,244
		<u>56,915</u>	<u>28,742</u>
Net current assets		<u>1,799,370</u>	<u>349,738</u>
		<u>4,593,688</u>	<u>3,663,514</u>
Capital and reserves			
Share capital	20	178,216	178,216
Reserves		4,350,296	3,408,886
		<u>4,528,512</u>	<u>3,587,102</u>
Equity attributable to owners of the Company			
Non-current liabilities			
Long-term tenants' deposits received		9,162	18,635
Deferred tax liabilities	21	55,053	55,519
Provision for long service payments	22	961	2,258
		<u>65,176</u>	<u>76,412</u>
		<u>4,593,688</u>	<u>3,663,514</u>

The consolidated financial statements on pages 28 to 65 were approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Gan Khai Choon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share capital <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2014	178,216	12,612	63,618	2,784,899	3,039,345
Profit for the year	–	–	–	599,270	599,270
Fair value gain on 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
Profit for the year	–	–	–	845,719	845,719
Release upon disposal of properties	–	–	(62,186)	62,186	–
Revaluation surplus on transfer of owner-occupied property to investment properties	–	–	214,389	–	214,389
Fair value gain on available-for-sale investments	–	16,830	–	–	16,830
Release upon disposal of available- for-sale investments	–	(18,078)	–	–	(18,078)
Total comprehensive (expense) income for the year	–	(1,248)	152,203	907,905	1,058,860
Dividends paid (<i>note 10</i>)	–	–	–	(117,450)	(117,450)
At 31 March 2016	178,216	20,601	215,821	4,113,874	4,528,512

Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	2016 HK\$'000	2015 HK\$'000
Operating activities		
Profit before taxation	873,159	618,506
Adjustments for:		
Gain on disposal of property, plant and equipment	(326,574)	–
Increase in fair value of investment properties	(431,651)	(508,772)
Gain on disposal of available-for-sale investments	(62,206)	–
Unrealised loss (gain) on investments held for trading	37,795	(299)
Depreciation of property, plant and equipment	6,705	6,806
Impairment loss recognised on trade receivables	2	414
(Reversal of provision) provision for long service payments	(5)	633
Exchange differences	12	1,257
	<hr/>	<hr/>
Operating cash flows before movements in working capital	97,237	118,545
(Increase) decrease in trade and other receivables	(6,600)	199
Increase in investments held for trading	(143,278)	(2,016)
Increase in other payables and long-term tenants' deposits received	8,113	6,280
Long service payments utilised	(1,292)	(261)
	<hr/>	<hr/>
Cash (used in) generated from operations	(45,820)	122,747
Income tax paid	(16,536)	(18,119)
	<hr/>	<hr/>
Net cash (used in) from operating activities	(62,356)	104,628
	<hr/>	<hr/>
Investing activities		
Proceeds on disposal of investment properties	1,197,118	–
Proceeds on disposal of property, plant and equipment	336,531	–
Proceeds on disposal of available-for-sale investments	74,431	–
Withdrawal of bank deposits	60,238	93,976
Additions of bank deposits	(792,973)	(60,238)
Increase in deposits with security brokers	(83,915)	(13,398)
Additions of investment properties	(67,267)	(228)
Purchase of property, plant and equipment	(446)	(136)
	<hr/>	<hr/>
Net cash from investing activities	723,717	19,976
	<hr/>	<hr/>
Cash used in financing activity		
Dividends paid	(117,450)	(60,750)
	<hr/>	<hr/>
Net increase in cash and cash equivalents	543,911	63,854
Cash and cash equivalents at beginning of the year	141,429	77,575
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	685,340	141,429
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	685,340	141,429
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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, for the first time, the following amendments to Hong Kong Accounting Standards ("HKAS") and Hong Kong Financial Reporting Standards ("HKFRSs") (hereinafter collectively referred to as the "new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010-2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011-2013 Cycle

The application of the above new and revised HKFRSs 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.

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

HKFRS 9	Financial Instruments ³
HKFRS 14	Regulatory Deferral Accounts ²
HKFRS 15	Revenue from Contracts with Customers ³
HKFRS 16	Leases ⁵
Amendments to HKAS 1	Disclosure Initiative 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 27	Equity Method in Separate Financial Statements ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
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 HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ³
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle ¹

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

² Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

³ Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

HKFRS 15 “Revenue from Contracts with Customer”

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

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.

HKFRS 16 “Leases”

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The directors of the Company are in the process of ascertaining the financial effect of the application of these new HKFRSs on the Group’s consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of these new HKFRSs until the Group performs a detailed review.

Other than that the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the financial performance and position and/or the disclosures of the Group’s consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly, the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

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 at the end of each reporting period, 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 Level 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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 2016 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 2016

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 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 2016

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 statement 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 2016

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 and points 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 2016

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 2016

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 tenants' 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 and points 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 2016

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 asset 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.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

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 2016

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Income from godown operations	37,456	38,141
Income from property investment	108,612	111,347
Dividend income from listed investments	5,121	4,259
Bank interest income	2,382	2,155
Other interest income	431	514
	<u>154,002</u>	<u>156,416</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, Executive Director 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 2016

5. SEGMENT INFORMATION (Continued)

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

For the year ended 31 March 2016

	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	37,456	108,612	7,934	154,002
Segment profit	20,354	82,241	21,547	124,142
Gain on disposal of property, plant and equipment				326,574
Increase in fair value of investment properties				431,651
Other administrative costs				(9,208)
Profit before taxation				873,159
	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	84,771	2,700,443	1,176,764	3,961,978
Bank balances and cash				685,340
Tax recoverable				1,219
Unallocated other assets				2,066
Consolidated total assets				4,650,603
<i>Liabilities</i>				
Segment liabilities	3,374	41,838	497	45,709
Tax payable				12,831
Deferred tax liabilities				55,053
Unallocated other liabilities				8,498
Consolidated total liabilities				122,091

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2016 (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	446	67,267	–	67,713
Depreciation of property, plant and equipment	6,700	5	–	6,705
Impairment loss recognised on trade receivables	2	–	–	2
Fair value loss on investments held for trading	–	–	44,511	44,511
Reversal of provision for long service payments	(5)	–	–	(5)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

For the year ended 31 March 2015

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<i>Turnover</i>				
Segment revenue	38,141	111,347	6,928	156,416
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Segment profit	22,568	90,168	2,928	115,664
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Increase in fair value of investment properties				508,772
Other administrative costs				(5,930)
				<u> </u>
Profit before taxation				618,506
				<u> </u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2015 (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<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				<u>3,692,256</u>
<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				<u>105,154</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	136	228	–	364
Depreciation of property, plant and equipment	6,800	6	–	6,806
Impairment loss recognised on trade receivables	–	414	–	414
Fair value gain on investments held for trading	–	–	(2,479)	(2,479)
Provision for long service payments	633	–	–	633

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, Executive Director of the Company, for the purposes of resources allocation and performance assessment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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 35% (2015: 36%) 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\$20,236,000 which accounted for 13% (2015: 12%) of the Group's total turnover, and the revenue attributed by each of the remaining four customers are less than 10% of the Group's total turnover for both years.

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 six (2015: seven) directors and the chief executive were as follows:

Name of directors	Executive directors		Non-executive director	Independent non-executive directors			Total
	Lu Wing Yee, Wayne	Oen Min Tjin	Lee Ka Sze, Carmelo	Gan Khai Choon	Lam Ming Leung	Leung Man Chiu, Lawrence	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2016							
Fees	61	–	239	263	239	236	1,038
Other emoluments							
Salaries	–	360	–	–	–	–	360
Discretionary bonus	–	68	388	388	388	388	1,620
Retirement benefits scheme contributions	18	–	–	–	–	–	18
Total emoluments	79	428	627	651	627	624	3,036

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

6. BENEFITS AND INTERESTS OF DIRECTORS (Continued)

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

Name of directors	Executive directors			Non-executive director	Independent non-executive directors			Total
	Lu Sin	Lu Wing Yee, Wayne	Oen Min Tjin	Lee Ka Sze, Carmelo	Gan Khai Choon	Lam Ming Leung	Leung Man Chiu, Lawrence	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2015		(Note)						
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	2,185	42	990	208	235	211	211	4,082

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 2016 and 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the non-executive directors shown above were mainly for their services as directors of the Company.

Mr. Lu Sin was also the Chief Executive of the Company and his emoluments disclosed above included those for services rendered by him as the Chief Executive during the year ended 31 March 2015. Following the death of Mr. Lu Sin on 5 April 2015, the position of the Chief Executive of the Company has been vacant and has not been filled up as at the date of this report.

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

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2015: HK\$240,000) from Kian Nan Financial Limited in which is taken to be controlled by Mr. Lu Wing Yee, Wayne, Executive Director of the Company, as he is one of the executors of the estate of Mr. Lu Sin (deceased). 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, one (2015: two were executive directors) was independent non-executive director whose emoluments are included in note 6 above. The emoluments of the remaining four (2015: three) individuals were as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Salaries and other benefits	2,405	1,771
Discretionary bonus	714	–
Retirement benefits scheme contributions	36	45
	<u>3,155</u>	<u>1,816</u>

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

8. PROFIT BEFORE TAXATION

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	869	861
– non-audit services	630	258
Exchange loss, net	983	5,461
Impairment loss recognised on trade receivables	2	414
Gross rental income from investment properties	(108,612)	(111,347)
Less: direct operating expenses for investment properties that generated rental income	<u>9,316</u>	<u>7,621</u>
Net rental income	(99,296)	(103,726)
Dividend income from listed securities		
– available-for-sale investments	(701)	(701)
– investments held for trading	(4,420)	(3,558)
Bank interest income	(2,382)	(2,155)
Interest income from held-to-maturity investment	<u>(431)</u>	<u>(514)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

9. TAXATION

	2016 HK\$'000	2015 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	27,902	16,164
Under(over)provision in prior years	4	(3)
	<u>27,906</u>	<u>16,161</u>
Deferred taxation (<i>note 21</i>)		
Current year	(466)	3,075
	<u>27,440</u>	<u>19,236</u>

Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profit for the year. During the year, an income tax expense of HK\$14,459,000 has been recognised in respect of the balancing charge of HK\$87,630,000 upon disposal of properties.

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

	2016 HK\$'000	2015 HK\$'000
Profit before taxation	<u>873,159</u>	<u>618,506</u>
Tax at the domestic income tax rate of 16.5% (2015: 16.5%)	144,071	102,053
Tax effect of expenses not deductible for tax purpose	2,656	2,436
Tax effect of income not taxable for tax purpose	(136,976)	(84,868)
Tax effect of tax losses not recognised	7,478	299
Tax effect of utilisation of tax losses previously not recognised	(37)	(622)
Tax effect of balancing charge upon disposal of properties	14,459	–
Reversal of deferred tax liabilities upon disposal of properties	(3,436)	–
Under(over)provision in prior years	4	(3)
Others	(779)	(59)
Tax charge for the year	<u>27,440</u>	<u>19,236</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

10. DIVIDENDS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Interim dividend paid in respect of 2016 – HK7 cents (2015: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2016 – HK15 cents (2015: HK13 cents) per ordinary share	20,250	17,550
Final dividend paid in respect of 2015 – HK10 cents (2014: HK7 cents) per ordinary share	13,500	9,450
Special dividend paid in respect of 2015 – HK55 cents (2014: HK18 cents) per ordinary share	74,250	24,300
	<u>117,450</u>	<u>60,750</u>

A final dividend of HK12 cents per share, amounting to HK\$16,200,000 and a special dividend of HK\$3.88 per share, amounting to HK\$523,800,000 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\$845,719,000 (2015: HK\$599,270,000) 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.

12. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
AT FAIR VALUE	
At 1 April 2014	2,667,400
Additions	228
Increase in fair value recognised in profit or loss	508,772
	<u>3,176,400</u>
At 31 March 2015	3,176,400
Transfer from property, plant and equipment	216,000
Additions	67,267
Disposal	(1,197,118)
Increase in fair value recognised in profit or loss	431,651
	<u>2,694,200</u>
At 31 March 2016	<u>2,694,200</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

12. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's investment properties at 31 March 2016 amounting to HK\$2,694,200,000 (2015: HK\$3,149,000,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuation, are members of the Hong Kong Institute of Surveyors. The valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

No fair values of the Group's investment properties have been determined by the directors of the Company as at 31 March 2016 as all the investment properties have been revalued by the independent qualified professional valuers. In prior year, amounting to HK\$27,400,000 had been determined by the directors of the Company and 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\$431,651,000 (2015: HK\$508,772,000) 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.

During the year ended 31 March 2016, the Group disposed of a property to a third party with a lease back arrangement from the purchaser for certain portion of the property with a term of one year commencing from the 16 December 2015 at market rental rate of HK\$540,000 per month with an option for renewal for a further term of one year at prevailing market rent. Such monthly rental was agreed after arm's length negotiations between the purchaser and the Company having taken into consideration the rentals of comparable premises in the property which were then let out to third party tenants by the vendor.

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	
	2016	2015
Industrial/office	2.9% – 4.3%	2.8% – 4.3%
Godown premises	6%	4.5% – 5.5%
Others	4%	4%

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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 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
Revaluation upon transfer to investment properties	214,389	–	–	214,389
Transfer to investment properties	(221,487)	–	–	(221,487)
Additions	–	446	–	446
Disposals/write off	(39,360)	(171)	(420)	(39,951)
At 31 March 2016	129,284	15,280	2,248	146,812
DEPRECIATION				
At 1 April 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
Transfer to investment properties	(5,487)	–	–	(5,487)
Provided for the year	6,235	299	171	6,705
Eliminated on disposals/write off	(29,403)	(171)	(420)	(29,994)
At 31 March 2016	52,769	14,832	2,248	69,849
CARRYING AMOUNTS				
At 31 March 2016	76,515	448	–	76,963
At 31 March 2015	94,318	301	171	94,790

During the year, an owner-occupied property with carrying value HK\$1,611,000 was transferred to investment properties upon commencement of operating lease to a third party. Fair value of the owner-occupied property at the date of transfer amounted to HK\$216,000,000 resulting in a gain on revaluation of HK\$214,389,000 credited to property revaluation reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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 2016, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK\$12,148,000 (2015: HK\$15,155,000).

14. AVAILABLE-FOR-SALE INVESTMENTS

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>23,155</u>	<u>36,628</u>

15. HELD-TO-MATURITY INVESTMENT

At 31 March 2016, 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\$5,946,000 (2015: HK\$5,958,000) 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 2016 and 31 March 2015 approximates its fair value.

16. INVESTMENTS HELD FOR TRADING

	2016 HK\$'000	2015 HK\$'000
Equity securities listed in Hong Kong, at fair value	<u>197,684</u>	<u>92,201</u>

17. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	6,896	6,446
Less: allowance for doubtful debts	—	(215)
	<u>6,896</u>	<u>6,231</u>
Other receivables	3,342	1,152
Prepayments and deposits	6,724	2,981
	<u>16,962</u>	<u>10,364</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within 60 days	6,100	5,882
61 – 90 days	535	184
Over 90 days	261	165
	<u>6,896</u>	<u>6,231</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\$796,000 (2015: HK\$349,000) 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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of the year	215	–
Amounts recovered	(100)	–
Impairment loss recognised	2	414
Amounts written off as uncollectible	(117)	(199)
	<u>–</u>	<u>215</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

18. BANK DEPOSITS/OTHER DEPOSITS/BANK BALANCES AND CASH

The bank deposits are designated for treasury investment purpose.

Bank deposits are carrying interest at varying rates ranging from 0.01% to 6.79% (2015: 0.01% to 4.02%) per annum.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Bank deposits denominated in:		
Australian dollar	1,153	690
Renminbi	–	50,203
United States dollar	207,395	777
Euro	87,758	–
	<u> </u>	<u> </u>

Other deposits represent deposits with security brokers which are carrying interest at varying rates ranging from 0.1% to 1.3% (2015: 0.1% to 1.65%) per annum.

The bank balances carry prevailing market interest rates.

19. OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Tenants' deposits	16,856	15,966
Receipts in advance	4,771	3,647
Others	22,457	6,885
	<u> </u>	<u> </u>
	<u>44,084</u>	<u>26,498</u>

20. SHARE CAPITAL

	Number of shares	<i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2014, 31 March 2015 and 31 March 2016	135,000,000	178,216
	<u> </u>	<u> </u>

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

21. DEFERRED TAXATION

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

	Accelerated tax depreciation <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 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
Credit to profit or loss	2,978	(8)	2,970
Reversal upon disposal of properties	(3,436)	–	(3,436)
At 31 March 2016	<u>55,329</u>	<u>(276)</u>	<u>55,053</u>

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 2016, the Group has unused tax losses of HK\$66,708,000 (2015: HK\$21,566,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$1,669,000 (2015: HK\$1,624,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$65,039,000 (2015: HK\$19,942,000) due to the unpredictability of future profit streams.

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:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Balance brought forward	2,258	1,886
(Reversal of) additional provision	(5)	633
Utilisation during the year	(1,292)	(261)
Balance carried forward	<u>961</u>	<u>2,258</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\$482,000 (2015: HK\$470,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

23. OPERATING LEASES

The Group as lessor:

Property rental income earned during the year was HK\$108,612,000 (2015: HK\$111,347,000). 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:

	2016 HK\$'000	2015 HK\$'000
Within one year	61,436	82,787
In the second to fifth year inclusive	44,158	78,343
	<u>105,594</u>	<u>161,130</u>

The Group as lessee:

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	<u>4,950</u>	<u>–</u>

Operating lease payments represent rentals payable by the Group for certain of its office premises. Leases are negotiated for an average term of one year (2015: nil) and rentals are fixed at the date of signing of lease agreements.

24. RELATED PARTY DISCLOSURES

Other than as disclosed in note 6(b), the Group did not enter into 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.

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 shareholders 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

26. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables	1,644,712	281,296
Available-for-sale investments	23,155	36,628
Investments held for trading	197,684	92,201
Held-to-maturity investment	5,946	5,958
	<u>1,971,497</u>	<u>415,083</u>
Financial liabilities at amortised cost		
	<u>46,718</u>	<u>40,427</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.

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:

	2016 HK\$'000	2015 HK\$'000
Australian dollars	7,099	6,648
Renminbi	–	50,203
United States dollars	207,395	777
Euro	87,758	–
	<u>302,252</u>	<u>57,628</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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

26. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5% (2015: 5%) rate increase or decrease in Hong Kong dollar against Australian dollar, Renminbi and Euro. 5% (2015: 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% (2015: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollar weakened 5% (2015: 5%) against the relevant currencies. For a 5% (2015: 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.

	2016 HK\$'000	2015 HK\$'000
Australian dollars	296	278
Renminbi	-	2,096
Euro	3,664	-

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

(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% (2015: 10%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in equity price on investments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

26. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk (Continued)

If the prices of the investments held for trading had been 10% (2015: 10%) higher/lower, the Group's profit for the year ended 31 March 2016 would increase/decrease by HK\$16,507,000 (2015: HK\$7,699,000) 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% (2015: 10%) higher/lower, the Group's investment revaluation reserve would increase/decrease by HK\$2,316,000 (2015: HK\$3,663,000) as a result of the changes in fair value of available-for-sale investments.

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 2016 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 debts 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	
	2016 HK\$'000	2015 HK\$'000
0 – 1 year	37,556	21,792
1 – 2 years	5,179	9,471
2 – 5 years	3,983	9,164
Total undiscounted cash flows	<u>46,718</u>	<u>40,427</u>
Carrying amounts	<u>46,718</u>	<u>40,427</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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\$23,155,000 (2015: HK\$36,628,000) and HK\$197,684,000 (2015: HK\$92,201,000), respectively, are derived from quoted prices in an active market.

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

27. CRITICAL ACCOUNTING JUDGMENTS 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 judgments, 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 judgments 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\$5,946,000 (2015: HK\$5,958,000). Details of the asset are set out in note 15.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

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\$2,694,200,000 (2015: HK\$3,176,400,000) 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\$76,963,000 (2015: HK\$94,790,000). 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 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\$6,896,000 (2015: HK\$6,231,000). 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.

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

	2016 HK\$'000	2015 HK\$'000
Capital expenditure in respect of refurbishment of investment properties contracted for but not provided in the consolidated financial statements	<u>124,601</u>	<u>115,050</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	125	98
Investments in subsidiaries	41,133	41,133
Amounts due from subsidiaries	415,455	387,720
Available-for-sale investments	23,155	36,628
	<u>479,868</u>	<u>465,579</u>
Current assets		
Investments held for trading	5,244	8,862
Trade and other receivables	2,066	666
Amounts due from subsidiaries	1,048,136	285,608
Tax recoverable	–	2,002
Bank deposits	163,145	10,033
Bank balances and cash	547,433	25,279
	<u>1,766,024</u>	<u>332,450</u>
Current liabilities		
Other payables	8,033	5,769
Amounts due to subsidiaries	35,455	30,860
	<u>43,488</u>	<u>36,629</u>
Net current assets	<u>1,722,536</u>	<u>295,821</u>
	<u>2,202,404</u>	<u>761,400</u>
Capital and reserves		
Share capital	178,216	178,216
Reserves (<i>Note</i>)	2,024,078	582,308
	<u>2,202,294</u>	<u>760,524</u>
Non-current liability		
Provision for long service payments	110	876
	<u>2,202,404</u>	<u>761,400</u>

Approved and authorised for issue by the Board of Directors on 28 June 2016 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Gan Khai Choon
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

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

Note: Reserves

	Investment revaluation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April 2014	12,612	530,375	542,987
Fair value gain on 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 (note 10)	–	(60,750)	(60,750)
At 31 March 2015	21,849	560,459	582,308
Release upon disposal of available-for-sale investments	(18,078)	–	(18,078)
Fair value gain on available-for-sale investments	16,830	–	16,830
Profit for the year	–	1,560,468	1,560,468
Total comprehensive (expense) income for the year	(1,248)	1,560,468	1,559,220
Dividends paid (note 10)	–	(117,450)	(117,450)
At 31 March 2016	20,601	2,003,477	2,024,078

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2016 and 31 March 2015 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
			2016	2015	
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 2016 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 (except G/F and 8/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	347,000	Industrial/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
G/F and 8/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	74,000	Industrial/godown premises

安全貨倉 集團

SAFETY GODOWN GROUP

香港九龍觀塘榮業街2號振萬廣場18樓1801室

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