

安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code : 237)



LU
PLAZA

ANNUAL REPORT
2023/24

#場場去盡

LU
PLAZA

THE
LU+



振萬廣場

振萬廣場位於香港第二個核心商業區 (CBD2) 九龍東內觀塘榮業街 2 號，位置得天獨厚，鄰近觀塘碼頭，海濱公園，面向啟德郵輪碼頭，180 度維港景色一覽無遺。

Lu Plaza is located at 2 Wing Yip Street, Kwun Tong within the CBD2 of Hong Kong - Kowloon East. It is in the immediate proximity of the Kwun Tong Ferry Pier, Kwun Tong Promenade and Kai Tak Cruise Terminal, overlooking a spectacular 180 degree Victoria Harbour seaview.



中西日美食匯聚，不僅環境舒適，而且各有風味。

Signature Chinese, Western and Japanese cuisines are housed in a comfortable environment.



商務中心提供優質的會議場所和多用途活動場地，並附設健身室，適合舉辦不同的會議和活動。

The LU+ Business Centre features with high quality meeting venues and multi-purpose function rooms with fully equipped and fitness space.



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Corporate Information

DIRECTORS

Executive Directors

Mr. Lu Wing Yee, Wayne

Ms. Lu Wing Man, Melissa

(appointed on 12 December 2023)

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

Mr. Wong Wilkie (appointed on 12 December 2023)

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

COMPANY SECRETARY

Ms. Mui Ngar May Joel

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

MUFG Bank, Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

AUDIT COMMITTEE

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

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Mr. Wong Wilkie (appointed on 12 December 2023)

Ms. Oen Li Lin (ceased on 4 September 2023)

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin (ceased on 4 September 2023)

REGISTERED OFFICE

Unit 1801, 18th Floor, Lu Plaza

2 Wing Yip Street, Kwun Tong

Kowloon, Hong Kong

REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited

17/F, Far East Finance Centre

16 Harcourt Road, Hong Kong

WEBSITE

www.safetygodown.com

STOCK CODE

237

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lu Wing Yee, Wayne, aged 50, was appointed as an Executive Director of the Company on 12 December 2008. He has joined the Group since July 2001. Prior to his appointment as Executive Director, he was the Group Manager of the Group in charge of day-to-day operations of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu holds a master degree in business administration, a bachelor degree of science in business administration and a diploma in risk management. He is also a member of The American Institute of Certified Public Accountants. Mr. Lu had previously worked for audit firm, securities and brokerage firm and listed property company. Mr. Lu is also a director and shareholder of Kian Nan Financial Limited, which is a substantial shareholder of the Company as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). He is the son of the Mr. Lu Sin, the deceased founder and chairman of the Group, and Ms. Chan Koon Fung, a substantial shareholder, and the brother of Ms. Lu Wing Man, Melissa, an Executive Director of the Company.

Ms. Lu Wing Man, Melissa, aged 48, was appointed as an Executive Director of the Company on 12 December 2023. Ms. Lu joined the Group in July 2023 and held the position of Group Manager of the Group. She has extensive experience in banking finance and financial management. Ms. Lu holds a bachelor degree of science in business administration. Prior to joining the Group, Ms. Lu worked in banking with previous post as a Managing Director and Head of Syndicated and Leveraged Finance Loans, Asia at J.P. Morgan. During her term of office at J.P. Morgan, Ms. Lu represented the bank as a board member and executive committee member of the Asia Pacific Loan Market Association. Ms. Lu is also a director and shareholder of Kian Nan Financial Limited, which is a substantial shareholder of the Company as defined in Part XV of the SFO. She is the daughter of the Mr. Lu Sin, the deceased founder and chairman of the Group, and Ms. Chan Koon Fung, a substantial shareholder, and the sister of Mr. Lu Wing Yee, Wayne, an Executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, JP, aged 64, 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 re-designated as a Non-executive Director since 28 September 2004. Mr. Lee is the managing 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 an independent non-executive director of China Mobile Limited and a non-executive director of Playmates Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). He is also an independent non-executive director of S.F. Holding Company, Limited, a company listed on the Shenzhen Stock Exchange.

Mr. Lee was until 1 March 2024 an independent non-executive director of KWG Group Holdings Limited, which is listed on the Stock Exchange.

Mr. Lee is a member of chairmen pool of the Listing Review Committee of the Stock Exchange, a chairman of the Appeal Tribunal Panel (Buildings), and a non-official member of the InnoHK Steering Committee. He retired as a convenor and a member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong on 16 July 2022.

Mr. Lee is a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Ming Leung, aged 72, 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. Lam is the Chairman of the Remuneration and Nomination Committee and a member of the Audit Committee of the Company.

Biographical Information of Directors and Senior Management

Mr. Leung Man Chiu, Lawrence, aged 76, 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 and SMC Electric Limited; both are listed on the Stock Exchange. Mr. Leung was a non-executive director of World Super Holdings Limited, a company that is listed on the Stock Exchange. Mr. Leung was an independent non-executive director of PFC Device Inc. until its privatization on 25 March 2022. 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.

Mr. Leung is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company.

Mr. Wong Wilkie, aged 51, was appointed as an Independent Non-executive Director on 12 December 2023. He has very extensive experience in strategic consultancy, industry, finance and supply chain management. Mr. Wong holds a Bachelor of Science (Civil Engineering) and a Master of Science (Operations Research) from Columbia University in the City of New York, USA, and a Master of Business Administration degree from Sloan School of Management, the Massachusetts Institute of Technology, USA. Mr. Wong is currently the Chief Financial Officer of Esquel Group, a world-leading, knowledge-based innovative textile and apparel company, responsible for the group's finance, logistics and corporate communications. He joined the Group in 2004 and has extensive experience in finance and supply chain management related to the textile industry. Before joining Esquel Group, Mr. Wong worked in McKinsey & Company as a management consultant in Greater China Region, providing consulting services for international and local companies, with a focus on consumer goods and retail sectors. He has extensive experience in strategic and business development, M&A advisory, organizational restructuring and operational improvement. Mr. Wong also serves on a voluntary basis as a director of the CCC Tai Kok Tsui Kei Tsun Church Limited and a member of the Incorporated Management Committee of the CCC Kei Chun Primary School.

Mr. Wong is a member of the Audit Committee of the Company.

SENIOR MANAGEMENT

Mr. Huang Hwei Ru, aged 75, is an Assistant General Manager of the Group. He is responsible for overall management of operations. He has joined the Group since 1976. Mr. Huang was also the supervisor of the Chivas Godown of the Group from 1991 to 2016.

Ms. Tong Yuk Sim, Simmy, aged 61, is an Assistant General Manager of the Group. She is responsible for the leasing and property management of the Group's investment properties. She has joined the Leasing Department of the Group since January 1997 and was promoted as the Senior Manager in 2011. She holds the Postgraduate Diploma in Corporate Administration and Master of Science in Construction and Real Estate from the Hong Kong Polytechnic University. She is also a member of the Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a holder of Estate Agent's Individual Licence from the Estate Agents Authority.

Five-year Financial Summary

	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Revenue					
Godown operations	17,284	20,232	19,719	14,168	19,958
Property investment	111,811	101,644	96,095	91,396	96,651
Treasury investment	48,097	25,477	7,036	4,220	21,003
	<u>177,192</u>	<u>147,353</u>	<u>122,850</u>	<u>109,784</u>	<u>137,612</u>
Loss attributable to owners of the Company					
Godown operations	(2,042)	729	3,016	(758)	3,562
Property investment	62,378	62,391	53,430	58,345	63,509
Treasury investment	44,253	(17,830)	15,580	47,611	(29,042)
(Loss) Gain on disposal of property, plant and equipment	(1)	–	–	–	8
Decrease in fair value of investment properties	(206,756)	(211,840)	(136,558)	(232,333)	(307,600)
Other administrative costs	(7,602)	(8,743)	(7,982)	(8,850)	(9,714)
	<u>(109,770)</u>	<u>(175,293)</u>	<u>(72,514)</u>	<u>(135,985)</u>	<u>(279,277)</u>
Taxation	(12,879)	(12,996)	(12,024)	(11,596)	(13,250)
	<u>(122,649)</u>	<u>(188,289)</u>	<u>(84,538)</u>	<u>(147,581)</u>	<u>(292,527)</u>
Loss for the year attributable to owners of the Company	<u>(122,649)</u>	<u>(188,289)</u>	<u>(84,538)</u>	<u>(147,581)</u>	<u>(292,527)</u>
Core earnings after taxation (Note 1)	<u>84,108</u>	<u>23,551</u>	<u>52,020</u>	<u>84,752</u>	<u>15,065</u>
Consolidated Statement of Financial Position					
Total assets	4,045,923	4,056,534	4,175,960	4,466,882	4,658,248
Total liabilities	(166,219)	(155,461)	(147,824)	(143,608)	(138,793)
Equity attributable to owners of the Company	<u>3,879,704</u>	<u>3,901,073</u>	<u>4,028,136</u>	<u>4,323,274</u>	<u>4,519,455</u>
Per Share					
Loss per share	(HK\$0.30)	(HK\$0.46)	(HK\$0.21)	(HK\$0.36)	(HK\$0.72)
Core earnings per share (Note 1)	HK\$0.21	HK\$0.06	HK\$0.13	HK\$0.21	HK\$0.04
Dividends per share	HK7 cents	HK5 cents	HK10 cents	HK57 cents	HK5.67 cents
Dividend payout ratio (Note 2)	33.71%	85.98%	77.85%	272.38%	152.26%
Net asset value per share	HK\$9.58	HK\$9.63	HK\$9.95	HK\$10.67	HK\$11.16
Ratios					
Return on average shareholder's funds	-3.15%	-4.75%	-2.02%	-3.34%	-6.22%
Current ratio	17.12:01	20.24:1	18.55:01	21.05:1	21.91:1
Gearing ratio (Note 3)	–	–	–	–	–
P/E ratio (Note 4)	N/A	N/A	N/A	N/A	N/A

Notes:

- Core earnings after taxation ("core earnings"), which is a non-Hong Kong Financial Reporting Standard ("HKFRS") financial measure, is calculated based on loss for the year attributable to shareholders after adjusting the effect on decrease in fair value of investment properties and (loss) gain on disposal of property, plant and equipment.
- The dividend payout ratio is calculated based on the total dividend distribution including the interim dividend paid and final dividend and special dividend (if any) proposed for the year and the (loss) profit for the year attributable to shareholders after adjusting the effect on decrease in fair value of investment properties.
- 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 ratios for the 5 years were therefore equal to zero.
- Based on closing price as at 31 March for each year.

Executive Director's Statement

I hereby present the annual results of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2024.

DIVIDENDS

The board of directors of the Company (the "Board") has resolved to recommend the payment of a final dividend of HK4.5 cents (2023: HK3 cents) per share, amounting to HK\$18,225,000 (2023: HK\$12,150,000) for the Year to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 2 September 2024 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 19 August 2024. The proposed final dividend will be dispatched to the Shareholders on 17 September 2024.

Together with the interim dividend of HK2.5 cents per share already paid on 15 January 2024, the total distribution for the year will amount to HK7 cents (2023: HK5 cents) per share.

BUSINESS REVIEW

During the year, the loss attributable to the Shareholders was approximately HK\$122,649,000, representing a decrease of approximately 35% as compared with a loss of HK\$188,289,000 for the corresponding year in 2023. The revenue increased 20% from HK\$147,353,000 to HK\$177,192,000. The loss per share decreased from HK\$0.46 to HK\$0.30. Excluding the fair value loss on investment properties, the Group's core earnings before taxation (non-HKFRS financial measures) increased by 165% from HK\$36,547,000 to HK\$96,986,000. The loss before taxation recorded HK\$109,770,000 (2023: a loss of HK\$175,293,000), representing a decrease of 37%.

Godown operations segment

After the outbreak of the pandemic, Hong Kong's economic recovery fell short of expectations, and enterprises have generally remained hesitant and adopted cautious strategies. Therefore, the Group's logistics business recorded a considerable decline compared to last year, with the average storage volume dropping from approximately 14,000 cubic meters last year to approximately 11,000 cubic meters for the year, which was rather disappointing. However, in response to changes in the business environment, the Group rented out two floors of the godown premises in Kwai Chung and reduced the storage area for the godown business, enabling it to maintain an average storage rate of approximately 58% for the year. As a result, revenue of the segment for the year dropped by 15% to HK\$17,284,000 (2023: HK\$20,232,000), resulting in a turnaround and a loss of HK\$2,042,000 (2023: profit of HK\$729,000). Average storage rent for the year rose by 14% compared to last year.

Property investment segment

During the year, income from property investment increased by 10% to HK\$111,811,000 (2023: HK\$101,644,000) and the segment profit (excluding fair value loss on investment properties) amounted to HK\$62,378,000 (2023: HK\$62,391,000), which was comparable to last year.

The rental revenue generated from Lu Plaza which is the major investment property of the Group decreased by 1% to HK\$77,127,000 (2023: HK\$77,637,000). The average occupancy rate declined by 2% to 89% (2023: 91%). Renewal rentals were subject to severe pressure, reflecting a dampened office market in Hong Kong. Throughout the year, the rental business for Lu Plaza encountered a number of challenges. Although the survey responses revealed that the tenants were satisfied with the building events and facilities, such as "The LU+" Business Centre, gym room, and restaurants, rental income and occupancy inevitably recorded a slight decline due to the unfavourable leasing market atmosphere.

Executive Director's Statement

Rental revenue generated from the industrial and godown (including carparks) properties recorded an increase, mainly due to the newly leased godown properties in recent years, and more than 60,000 square feet had been leased in total.

The revenue of property investment segment rose while profit remained flat. This was attributable to higher property-related expenses, which reflect inflationary pressures. In addition, due to intense competition in the market, the Company also invested extra resources in marketing, enhanced property quality and increased commissions for estate agents to attract tenants, resulting in an inevitable increase in related expenses.

The fair value of investment properties was further impaired by HK\$206,756,000 during the year, as investor confidence in the property market has yet to be restored as a result of the persistently high interest rates and the sluggish business environment of Hong Kong.

Treasury investment segment

The results of the treasury investment segment recovered during the Year as a result of the rate hikes and the decrease in fair value loss on treasury investment. The revenue increased to HK\$48,097,000 (2023: HK\$25,477,000) and a profit of HK\$44,253,000 (2023: loss of HK\$17,830,000) was recorded. The increase in revenue was substantially attributable to the increase in interest income from deposits.

In view of the prevailing high interest rates and global economic uncertainty, a large portion of the Group's cash was allocated to time deposits during the year in order to generate a more stable income to withstand the impact of the negative economic environment.

OUTLOOK

Godown operations segment

Currently, the Group has not yet witnessed a significant recovery in the consumer market and as such remains hesitant about the godown operations segment.

Property investment segment

The supply of office space in Hong Kong increased during the economic boom before 2020, but market absorption has remained at a low level since the outbreak of the pandemic, resulting an increase in the vacancy rate. The situation has continued to make an adverse impact on commercial properties to date. It is expected that there will be some downward pressure on rental levels in the coming year. The Group will attempt to alleviate the impact of the negative market sentiment and environment on the leasing of Lu Plaza by proactive marketing campaigns and leveraging of "The LU+" Business Centre as the key selling point.

According to a monthly report on Hong Kong's property market recently published by a real estate service firm, the overall office vacancy rate in Hong Kong remained high at 13%, with the vacancy rate in Kowloon East reaching as high as 17.7%. This has undoubtedly posed a great challenge to the leasing of Lu Plaza. The outbreak of the pandemic in 2020 brought about a tremendous change in the way the world operated, with more businesses adopting the flexibility of working from home and connecting via video and electronic means, which has led to a reduction in demand for office space. Since 2009, Hong Kong's commercial property values (office and retail) had risen steadily for a decade, attributable mostly to the booming economy and low interest rate environment. The prevailing economic headwinds, along with consistently high interest rates, have prompted financial institutions to adopt conservative lending policies. Thus, rental transactions and prices in the short to medium term office market may not be optimistic.

The prevailing six-month Hong Kong Interbank Offered Rate (HIBOR) has risen exponentially from three years ago. If interest rates rise further or remain at the current higher levels, it is estimated that property values will continue to be adversely affected.

Executive Director's Statement

Treasury investment segment

The current concerns of the global financial market and international geopolitical tension have heightened the volatility of investment returns. The management will continue to prudently monitor the ongoing developments in the market environment in order to decide the next step of investment. As at 31 March 2024, the Group had HK\$865,397,000 in cash, bank balances and deposits. Interest rates are currently at their highest level in over a decade and are expected to fall only slightly or remain flat for at least the next few months. Unless there is a dramatic change in the global economy and financial markets, or a reduction in deposits as a result of significant investments made by the Group, interest income from deposits is anticipated to fall only slightly or remain relatively stable in the coming year.

Appreciation

I would like to take this opportunity to thank my fellow Directors and staff members for their hard work, and to the stakeholders for their support and Shareholders for their trust. Despite the current economic downturn, the Group is expected to seize development opportunities, create more favourable conditions for the future and seek greater returns for our Shareholders.

Lu Wing Yee, Wayne

Executive Director

Hong Kong, 25 June 2024

Management Discussion and Analysis

FINANCIAL OVERVIEW

During the year, the Group's loss attributable to the Shareholders of the Company was HK\$122,649,000 (2023: loss of HK\$188,289,000) whilst the core earnings after taxation (non-HKFRS financial measure) based on loss attributable to the Shareholders netted off the fair value loss on investment properties of HK\$206,756,000 (2023: loss of HK\$211,840,000) and the loss on disposal of property, plant and equipment of HK\$1,000 (2023: nil), increased by 257% to HK\$84,108,000 (2023: HK\$23,551,000). Total revenue increased 20% to HK\$177,192,000 (2023: HK\$147,353,000).

During the year, a total dividend payment of HK\$22,275,000 (2023: HK\$32,400,000) was appropriated. As at 31 March 2024, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$3,879,704,000 (31 March 2023: HK\$3,901,073,000) and HK\$9.58 (31 March 2023: HK\$9.63), respectively. Loss per share for the year registered at HK\$0.30 (2023: loss of HK\$0.46).

Godown operations segment

During the year, the revenue decreased by 15% to HK\$17,284,000 (2023: HK\$20,232,000). It swung into a loss of HK\$2,042,000 (2023: profit of HK\$729,000).

The average utilisation rate was 58% (based on the average maximum capacity of 19,400 cubic meters ("CBM")) (2023: 52% (based on the maximum capacity of 27,500 CBM)), while the average storage rent per CBM increased by 14% year-on-year.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average utilisation rate which is the percentage of the occupied capacity available for storage. Average rent per CBM is the average storage rent per CBM of cargo stored
- Source of underlying data: Internal company data
- Assumption: Average maximum capacity of the godown is 19,400 CBM in average (2023: 27,500 CBM)
- Purpose: Utilisation rate and average storage rent per CBM are the key drivers for performance

Property investment segment

The total rental income increased by 10% to HK\$111,811,000 (2023: HK\$101,644,000), while the profit excluding fair value losses on investment properties (non-HKFRS financial measure) was HK\$62,378,000 (2023: HK\$62,391,000), which was much the same as last year.

The rental revenue generated from Lu Plaza, which is the major investment property of the Group, amounted to HK\$77,127,000 (2023: HK\$77,637,000), which was similar to last year. As at 31 March 2024, the occupancy of Lu Plaza decreased to 89% (31 March 2023: 91%).

As at 31 March, 2024, the fair value of the Group's investment properties amounted to HK\$2,812,400,000 (31 March 2023: HK\$2,854,500,000) based on an unrealised fair value loss of HK\$206,756,000 (2023: loss of HK\$211,840,000) which was recognised through the profit and loss of the year.

Management Discussion and Analysis

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy rate which is the percentage of lettable floor area (“LFA”) occupied by existing tenants. Average monthly rental income per square feet (“sq. ft.”) is the average rental income received per sq. ft. of LFA leased
- Source of underlying data: Internal company data
- Purpose: Occupancy rate and average monthly rental income per sq. ft. are the key drivers for performance
- No changes have been made to the source of data or calculation methods used compared to 2023

Treasury investment segment

The revenue increased by 89% to HK\$48,097,000 (2023: HK\$25,477,000) and the profit was HK\$44,253,000 (2023: loss of HK\$17,830,000) including the realised gain and unrealised losses on financial assets at fair value through profit or loss of HK\$306,000 (2023: loss of HK\$26,417,000) and HK\$3,051,000 (2023: loss of HK\$15,036,000), respectively. As of 31 March 2024, the financial assets at fair value through profit and loss valued at HK\$175,577,000 (2023: HK\$134,018,000), representing an increase of 31%.

During the year, the Group’s foreign exchange exposure mainly related to United States dollar which is pegged to Hong Kong dollar. As at 31 March 2024, the Group’s foreign exchange risk was minimal.

OPERATING COSTS

The operating costs of the Group, mainly comprised of staff costs, repairs and maintenance, depreciation, and other operating and administrative costs. Staff costs increased by 18% to HK\$22,215,000 (2023: HK\$18,836,000) during the year which was due to the bonus, annual salary adjustment and the appointment of a senior executive. The depreciation of the year amounted to HK\$23,699,000 (2023: HK\$25,824,000), representing a decrease of 8% as a result of reclassification of certain owned-properties and leased lands as investment properties. Other operating and administrative costs (including property management fees, real estate agency fees, and rates and government rent), increased by 23% to HK\$30,278,000 (2023: HK\$24,648,000).

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt a prudent financial management policy and maintained a strong cash position. Total bank and other deposits, and cash and bank balances as at 31 March 2024 amounted to HK\$865,397,000 (31 March 2023: HK\$827,240,000). Most of the bank deposits were denominated in Hong Kong or United States dollars. The strong cash reserve position offers protection against unstable times and it also gives the Group more options for future investment opportunities. The Group has sufficient financial resources to continue to finance its operations.

The Group financed its operations mainly by its internal cash reserve and cash flows generated from operations. Recurring net cash flow from operating activities before movement in working capital amounted to HK\$124,735,000 (2023: HK\$79,294,000), increased by 57%. As at 31 March 2024, net current assets amounted to HK\$998,198,000 (31 March 2023: HK\$932,141,000) with a liquidity ratio (total current assets divided by total current liabilities) of 17.12 times (31 March 2023: 20.24 times).

During the year, the Group did not have any loans nor borrowings. As such, the gearing ratio was zero. As at 31 March 2024, the Group had a net asset value of HK\$3,879,704,000 (31 March 2023: HK\$3,901,073,000).

Management Discussion and Analysis

COMPLIANCE WITH REGULATIONS

All the immovable assets and principal activities of the Group are located and carried out 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 segments. Any changes in the applicable laws, rules and regulations affecting godown operations and property investment are brought to the attention of the management and 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.

RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The management considers its employees the key to sustainable business growth of the Group and is committed to providing all employees a safe and harassment free work environment with equal opportunities in relation to employment, reward management, training and career development. Workplace safety is the top priority of the management. This is of paramount importance that health and safety measures are followed by employees in performing their duties to reduce work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme 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 professional development and training.

As at 31 March 2024, the Group employed 38 (31 March 2023: 39) employees. Total staff cost was HK\$22,215,000 (2023: HK\$18,836,000). 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 scheme for employees.

Customer relationship is one of the key elements of our businesses. The Group fully understands this principle and thus maintain good relationship with customers to fulfil their immediate and long-term needs. For our customers of godown operations, we deliver high quality services to meet our customer needs. For our property investment, we have engaged quality property management company to manage our major investment properties. Tenant needs and feedbacks are communicated through the property management company from time to time to cater for tenants' requirements and ensure their satisfaction.

Due to the nature of its businesses, the Group does not have any major supplier that has significant influence on its operations. However, the Group strives to maintain fair and co-operating relationship with the suppliers. The selection of major suppliers or contractors is conducted through tendering process in the normal course of the Group's businesses. The management of the Group also regularly reviews the procurement and tendering procedures to ensure that the processes are conducted in an open and fair manner.

PRINCIPAL RISK AND UNCERTAINTY

In general, all of the Group's immovable assets are located in Hong Kong and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong godown sector and the office leasing market, the interest rate changes, the political status and the governmental policies in Hong Kong may have a significant impact on the Group's operating results and financial position. 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 in addition to the key risk areas outlined below.

Management Discussion and Analysis

Godown operations

The international trade could be under the influence of the economic and political conditions around the world, especially those in Mainland China, Europe, Asia Pacific and Hong Kong, which in turn could have a significant impact on the godown business. The Group is primarily engaged in the provision of godown services to manufacturers, wholesalers, retailers, media and publishers and other relevant customers. We are therefore dependent on our customers' business performance and prospects in their respective sectors, markets and industries.

Property investment

Financial performance may be adversely affected in the event of a decline in the level of rents or occupancy rate, or incapability of procuring lease renewals or obtaining new tenants. The management is unable to assure that the existing tenants will renew their leases upon expiration or new leases can be achieved at rental rates equal to or higher than the current level of rents. The Group may also be subject to changes in rental income due to government's change of policies and/or overall business environment. For example, if the government resumes the revitalization scheme for industrial buildings, the supply of potential commercial premises in Kowloon East and other districts will increase and then exert pressure on the general level of rents.

Treasury investment

For the treasury investment, the fluctuation in market value of the investment portfolio could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standards, the gain/loss on the listed securities should be booked as fair value gain/loss on financial assets at fair value through profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, no matter whether the securities are disposed or not. Therefore, the fluctuation in market or trading prices of the investment portfolio assets could have positive or negative effect on the Group's profitability. The management will closely monitor the overall ongoing investment sentiment and adjust the investment portfolio when required in order to safeguard the assets of the Group and 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 27 to the consolidated financial statements from pages 105 to 112.

GROUP'S ABILITY TO FUND CURRENT AND FUTURE OPERATIONS

The Group currently funds its operations wholly by internal cash reserve and cash generated from operations and has no bank borrowing. The management anticipates that no bank borrowing is required to maintain the current and future operations of the Group. The Group has a credit policy to the godown customers and debt recovery procedures which have been practised satisfactorily for years are subject to annual review by the management. Thus, the bad debt risk is regarded as low.

DIVIDEND POLICY

It is the Board's intention to provide the Shareholders with a relatively consistent long-term dividend income. The Group generally provides the Shareholders with relatively generous dividend payments. The Board will try to maintain the dividend payment at a reasonable level based on the business environment and the performance of the Group but should not be deemed to constitute a legal binding commitment on the part of the Board.

For the details of the dividend paid and proposed dividend for the year, please refer to the Dividends section under Executive Director's Statement on pages 6 to 8.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March 2024, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2024, the Group did not have any significant contingent liabilities.

CLOSURE OF MEMBERS REGISTER

To ascertain the Shareholders' entitlement to attend and vote at the annual general meeting, the Register of Members will be closed from Wednesday, 14 August 2024 to Monday, 19 August 2024, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend, speak and vote at the annual general meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 13 August 2024.

To ascertain the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Wednesday, 28 August 2024 to Monday, 2 September 2024, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 27 August 2024.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the year ended 31 March 2024 except for the following deviations from code provisions C.2.1 to C.2.9, C.3.3, C.6.3 and F.2.2.

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

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

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

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

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

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

CORPORATE CULTURE AND VALUES

The Board sets the tone at the top and defines the Company’s vision, mission, values and strategies so as to develop the Company’s corporate culture to support its long-term sustainable development. The Board is responsible for evaluating and ensuring that the corporate culture, vision, mission, values and strategies are aligned.

Integrity and code of conduct

The Company emphasises the importance of high standards of business ethics and corporate governance across all operations and staff at all levels are required to act lawfully and ethically in all respects with the highest standards of code of conduct set out in the Company’s employee handbook, anti-corruption policy and whistleblowing policy.

Corporate Governance Report

Customer services and workforce development

The Company is committed to workforce development, workplace safety and health, diversity and sustainability, and strives to exceed customers' expectations and deliver high quality services through our well-equipped and productive workforce. We provide trainings and offer staff welfare to promote a continuous learning environment for our staff with the aim to develop long-term, steady and sustainable growth of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 of the Listing Rules as the Company's code of conduct governing dealings by all Directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2024.

BOARD OF DIRECTORS

The Board is currently composed of two Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Half of the Board members are Independent Non-executive Directors who enable the Board to exercise independent judgement effectively. An updated list of Directors of the Company and their respective roles and functions has been maintained on the websites of the Company and the Stock Exchange. The composition of the Board during the year is shown below.

Following the resignation of Ms. Oen Li Lin as an Independent Non-executive Director on 4 September 2023, the Board comprises four members including one Executive Director, one Non-executive Director and two Independent Non-executive Directors and constituted a single gender board. The Board had not met the requirement to have at least three Independent Non-executive Directors and the requirement of gender diversity under Rule 3.10(1) and Rule 13.92 of the Listing Rules respectively.

On 12 December 2023, Mr. Wong Wilkie was appointed as an Independent Non-executive Director and Ms. Lu Wing Man, Melissa was appointed as an Executive Director. Accordingly, the Company has complied with the requirement under Rule 3.10(1) and Rule 13.92 of the Listing Rules since 12 December 2023. Ms. Lu Wing Man, Melissa and Mr. Wong Wilkie obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 19 December 2023 and both Ms. Lu and Mr. Wong have confirmed that they understood their obligations as Directors of the Company.

Save for the family relationship between Mr. Lu Wing Yee, Wayne and Ms. Lu Wing Man, Melissa as disclosed in the biographical details, there is no financial, business, family and other material relationship among members of the Board. Biographies of the Directors are set out on pages 3 to 4 under the subject Biographical Information of Directors and Senior Management.

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

Directors	Attendance/Number of meetings held during term of office within the year	
	Board Meetings	Annual General Meeting
<i>Executive Directors</i>		
Mr. Lu Wing Yee, Wayne	4/5	1/1
Ms. Lu Wing Man, Melissa (appointed on 12 December 2023)	1/1	N/A
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	5/5	0/1
<i>Independent Non-executive Directors</i>		
Mr. Lam Ming Leung	5/5	0/1
Mr. Leung Man Chiu, Lawrence	5/5	1/1
Mr. Wong Wilkie (appointed on 12 December 2023)	1/1	N/A
Ms. Oen Li Lin (resigned on 4 September 2023)	2/2	0/1

Corporate Governance Report

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 comments and records.

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

There is a clear division of responsibilities between the Board and the management. The Board is responsible for providing high-level guidance and effective oversight of management while day-to-day management of the Group is delegated to the management team of each respective subsidiary. Generally speaking, the Board is responsible for:

- formulating the Group's long-term strategy and monitoring the implementation thereof;
- approval of interim and final dividends;
- reviewing and approving the circular, proxy form, announcements, annual and interim reports;
- ensuring good corporate governance and compliance;
- monitoring the performance of the management;
- reviewing and approving any material acquisition and assets disposal; and
- overseeing the management in the design, implementation and monitoring of the risk management and internal control systems on an ongoing basis.

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 through the Remuneration and Nomination Committee, has assessed their independence and concluded that all the Independent Non-executive Directors are independent.

The Directors have a balance of skills and experience and diversity of perspective appropriate to the requirements of the Group's businesses. 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 at the expense of the Company.

MECHANISM ON INDEPENDENT VIEWS TO THE BOARD

The Company recognises that board independence is critical to good corporate governance. The Board has established a mechanism to enable Directors to seek independent professional advice when exercising Directors' duties to ensure a strong independent element to the decision made by the Board which is key to an effective Board.

According to the mechanism, subject to the prior approval by any one of the executive Directors of the Company (which approval shall not be unreasonably withheld or delayed), the Directors may seek independent legal, financial or other professional advice from advisors independent of those advising the Company as and when necessary in appropriate circumstances to enable them to discharge their responsibilities effectively, either on the Company's affairs or in respect of their fiduciary or other duties, at the Company's expense. In case of the Board is seeking independent professional advice, prior approval must be given by any one of the executive Directors of the Company (which approval shall not be unreasonably withheld or delayed).

The Board will review this mechanism on an annual basis to ensure the implementation and effectiveness of this mechanism.

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.

Corporate Governance Report

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.

All Directors have declared that they have attended training during the year ended 31 March 2024 and the training received by each Director during the year ended 31 March 2024 is summarized as below:

Name of directors	Regulatory update and corporate governance matters	
	Reading materials	Attendance on seminars/internal discussions meetings
<i>Executive Directors</i>		
Mr. Lu Wing Yee, Wayne	✓	–
Ms. Lu Wing Man, Melissa (appointed on 12 December 2023)	✓	✓
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Lam Ming Leung	✓	–
Mr. Leung Man Chiu, Lawrence	✓	✓
Mr. Wong Wilkie (appointed on 12 December 2023)	✓	✓
Ms. Oen Li Lin (resigned on 4 September 2023)	✓	–

CHAIRMAN AND CHIEF EXECUTIVE

CG Code Provisions C.2.1 to C.2.9 stipulate that (i) the roles of chairman of the board and chief executive officer should be separate and should not be performed by the same individual and (ii) the division of responsibilities between the chairman of the board and the chief executive officer should be clearly established.

The late Mr. Lu Sin, the founder of the Group, assumed the roles of both the Chairman and Managing Director of the Company. After passing away of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the chief executive officer of the Company have not been filled up as at the date of this report. Until the appointment of a new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board. At the same time until the appointment of a new chief executive officer, the Executive Directors with the assistance of the senior management, 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 Non-executive Directors. All the Non-executive Directors 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 established three committees, the Remuneration and Nomination Committee, the Audit Committee and the Investment Committee, each of which has its specific written terms of reference. The Investment Committee was dissolved on 28 June 2023.

Corporate Governance Report

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 Remuneration and Nomination Committee currently comprises of three members including one Non-executive Director and two Independent Non-executive Directors. The Committee is chaired by Mr. Lam Ming Leung. The other members are Mr. Lee Ka Sze, Carmelo and Mr. Leung Man Chiu, Lawrence.

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 make recommendation to the Board on the remuneration policy and packages of all Directors and senior management; and review and approve roles and responsibilities, compensation packages 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 nomination process, selection criteria and succession planning are set out in the policy for nomination adopted by the Board (the "Nomination Policy"). 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.

In accordance with the Nomination Policy, the Remuneration and Nomination Committee has been appointed to identify persons with suitable qualifications to become members of the Board and to make choices or to make recommendations to the Board on the selection of persons nominated for directorship. The Board is responsible for the final selection and appointment of new directors.

The Remuneration and Nomination Committee should use a variety of methods to identify candidates for directorship, including recommendations from board members, management and professional headhunting companies. In addition, the Remuneration and Nomination Committee will consider the candidates for directors formally submitted by the shareholders of the Company.

The Remuneration and Nomination Committee's assessment of candidates may include (but is not limited to) reviewing resumes and work experience, personal interviews and conducting background checks. The Board will consider the recommendations of the Remuneration and Nomination Committee and will be responsible for designating candidates as proposed directors to be elected by shareholders at the general meeting of the Company, or appointing suitable candidates to serve as directors to fill vacancies on the Board or as additional Board members (in compliance with the Articles).

The Remuneration and Nomination Committee shall consider the following qualifications as the minimum qualification required to recommend candidates to the Board for new appointment or re-election:

- Highest personal and professional conduct and integrity;
- Nominees' outstanding personal achievements and abilities and their ability to make sound business judgments;
- Skills that complement existing boards;
- Ability to assist and support management and make a significant contribution to the success of the Company;
- Understand the time and effort required for board members to be trusted and to perform their duties diligently; and
- Independence: Candidates for independent non-executive directors should meet the "independence" criteria set out in the Listing Rules and the composition of the Board complies with the provisions of the Listing Rules.

The Committee shall consider other appropriate factors as it considers appropriate to the best interest of the Company and shareholders.

Corporate Governance Report

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

Members	Number of meetings attended/held during term of office within the year
Mr. Lam Ming Leung (<i>Chairman of the Committee</i>)	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Leung Man Chiu, Lawrence	2/2
Ms. Oen Li Lin (ceased on 4 September 2023)	1/1

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

- (a) making recommendation to the Board on the appointment of new Directors and re-appointment of retiring 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 recommending the remuneration to the 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.

The remuneration of the members of the senior management (including Executive Directors) by band for the year ended 31 March 2024 is set out below:

Remuneration bands (HK\$)	Number of person(s)
Nil to 1,000,000	1
1,000,001 to 2,000,000	3

DIRECTORS' REMUNERATION POLICY

The Company has established a formal and transparent policy on Directors' remuneration and other remuneration related matters. Such remuneration policy is to ensure that all Directors, are sufficiently compensated for their efforts and time dedicated to the Company and remuneration offered is appropriate for their duties and in line with market practice. No Director, or any of his/her associates, is involved in deciding his/her own remuneration.

The principal terms of such policy are as follow:

- (a) Independent non-executive Directors and non-executive Director receive a basic fee and are not covered by any type of incentive or performance-related remuneration. Such basic fee is set at a level that reflects the competencies and contribution required in view of the Group's complexity, the extent of the responsibilities and the number of Board meetings or relevant meetings of the Board committee(s) that he or she has to attend. In addition to the basic fee, independent non-executive Directors and non-executive Director receive compensation for being chairman of the Board committee(s) if he or she is not the Chairman of the Board. Generally the Company shall not grant equity-based remuneration with performance related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence while such restriction does not apply to non-executive Director.

Corporate Governance Report

- (b) When executive Directors are employed on a contractual basis, their remunerations are fixed according to current market rates and conditions in Hong Kong and subject to reassessment annually or periodically, as mutually agreed between the Company and executive Directors. The Remuneration and Nomination Committee should consult the Board about its proposal relating to the remuneration of executive Directors and have access to professional advice if considered necessary.

BOARD DIVERSITY POLICY

The Company has formulated the board diversity policy aiming at setting out the approach on diversity of the Board.

The Board recognises the importance of having a diverse Board in enhancing the Board's effectiveness and corporate governance. A diverse Board will include and make good use of differences in the skills, industry knowledge and experience, education, background and other qualities, etc. of Directors and does not discriminate on the ground of race, age, gender or religious belief. These differences will be taken into account in determining the optimum composition of the Board and when possible should be balanced appropriately.

The Remuneration and Nomination Committee has responsibility for identifying and nominating for approval by the Board, candidates for appointment to the Board. It takes responsibility in assessing the appropriate mix of experience, expertise, skills and diversity required on the Board and assessing the extent to which the required skills are represented on the Board and reviewing effectiveness of the Board.

The Remuneration and Nomination Committee is also responsible for reviewing and reporting to the Board in relation to Board diversity. Board appointments will be based on the requirements set out in the Nomination Policy and candidates will be considered regarding for the necessary qualifications and benefits of diversity on the Board.

The Board considers that Board diversity is a vital asset to the business.

At present, the Remuneration and Nomination Committee has not set any measurable objectives to implement the board diversity policy. However, it will consider and review the board diversity policy and setting of any measurable objectives from time to time.

The Board had achieved gender diversity of the Board since 16 November 2020 until 4 September 2023 when Ms. Oen Li Lin resigned as Director of the Company. The Company re-complied the requirement of gender diversity on 12 December 2023 when Ms. Lu Wing Man, Melissa was appointed as Director of the Company. Gender diversity at workforce levels (including our senior management) is disclosed in the Environmental, Social and Governance Report in this annual report. The Company will continue to monitor and evaluate the diversity policy from time to time to ensure its continued effectiveness.

AUDIT COMMITTEE

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

The Company has complied with Rule 3.21 of the Listing Rules which requires that the audit committee (i) has a minimum of three non-executive directors, (ii) must be chaired by an independent non-executive director, (iii) at least one of the audit committee member is an independent non-executive director who possesses appropriate professional qualifications or accounting or related financial management expertise, and (iv) a majority of the audit committee members are independent non-executive directors.

Throughout the year under review, the Audit Committee discharged the duties and responsibilities under its terms of reference and the CG Code. The terms of reference of the Audit Committee are available on the website of the Company and the Stock Exchange.

Corporate Governance Report

Under its terms of reference, the Audit Committee is required to oversee the relationship between the Company and its external auditors, review the Group's preliminary interim and annual results, and interim and annual financial statements, monitor the corporate governance of the Group including compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the Group's financial reporting system, risk management and internal control systems, engage independent legal and other advisers as it determines to be necessary.

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

Members	Number of meetings attended/held during term of office within this year
Mr. Leung Man Chiu, Lawrence (<i>Chairman of the Committee</i>)	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Lam Ming Leung	2/2
Mr. Wong Wilkie (appointed on 12 December 2023)	N/A
Ms. Oen Li Lin (ceased on 4 September 2023)	1/1

The Audit Committee assists the Board in discharging its responsibilities for maintaining an effective risk management and internal control systems. It receives and considers the presentations of the management in relation to the reviews on the effectiveness of the Group's risk management and internal control systems, review the completeness, accuracy and fairness of the Company's financial statements, to review the interim and final financial statements before their submission to the Board and the annual general meeting for approval, and to make recommendation on the appointment of external auditor and approve the remuneration and terms of engagement of external auditor. The Audit Committee is provided with sufficient resources, including independent access to and advice from external auditors.

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.

INVESTMENT COMMITTEE

The Investment Committee, comprising Mr. Lu Wing Yee, Wayne as chairman and Ms. Oen Li Lin as a member, was established on 9 February 2021 and dissolved on 28 June 2023.

The Investment Committee was set up to assist the Board in overseeing the Company's processes and procedures for (i) investing of surplus funds in financial assets and (ii) acquisitions or dispositions of investment properties.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions as set out in the code provision A.2.1 of the CG Code. During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

CONSTITUTIONAL DOCUMENT

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

During the year, there is no change in the Company's articles of association.

Corporate Governance Report

AUDITOR'S REMUNERATION

The Board agrees with the Audit Committee's recommendation for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditor for financial year 2024/25. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 19 August 2024.

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

Nature of services	For the year ended 31 March	
	2024 HK\$	2023 HK\$
Review fee for interim results	229,000	225,000
Audit fee for final results	1,247,000	1,223,000
Taxation consultancy services fee	185,500	181,800
Internal control assessment and enterprise risk management advisory services	90,000	138,000
Consultancy service for Environmental, Social and Governance Reporting	90,000	118,000
Total audit and non-audit services	<u>1,841,500</u>	<u>1,885,800</u>

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 pages 65 to 68 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.

RISK MANAGEMENT AND INTERNAL CONTROLS

Group Risk Management

The Board has overall responsibilities for maintaining sound and effective risk management and internal control systems of the Group. The Audit Committee assisted the Board to fulfill its responsibility. The review of risk management and internal control will be conducted at least annually. The Board recognizes that risk taking is unavoidable as part of the Group's business. By appropriate risk management and continuous risk monitoring, risk taking can bring value to the Company. The Board believes that risks are acceptable after prudent assessment of their impact and likelihood. The Company can protect its assets and shareholders' interests and create value simultaneously through appropriate risk management and control measures. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

Corporate Governance Report

Risk assessment approach and Risk identification

The Board has the oversight responsibility for evaluating and determining the nature and extent of the risks facing the Group and reviewing and monitoring the Group's approach to addressing these risks at least annually. In addition, the Board oversees management in the design, implementation and monitoring of the risk management and internal control systems.

A risk management program was carried out during the year to ensure all material risks to which the Company exposed are properly identified, assessed, managed, monitored and reported to the Audit Committee and the Board. Risks identification is based on questionnaire with senior management from different departments. Risks are preliminarily identified by senior management from the risk universe which is a collection of risks built on environmental analysis and external benchmarking that can impact the Group at the entity or specific business process level. The risk universe covers both internal and external risks in four major areas, namely strategic risks, operational risks, financial risks and legal and compliance risks. Key risk factors are then identified by integrating the results of the questionnaire.

Risk evaluation and Risk prioritisation

Risk evaluation is the second step to assess the relative impact and likelihood of the identified key risk factors. These identified key risk factors are further assessed by a scale rating process by the senior management to evaluate their impact and likelihood. The scale rating process is further supported by face-to-face or phone interview with the senior management to assess the rationales of these identified key risk factors behind.

Risk prioritisation is a mapping exercise. A risk map is used to prioritise the identified key risk factors according to their impact and likelihood.

Risk reporting, managing and monitoring

Risk reporting and risk monitoring are essential and integral parts of risk management. A risk assessment report was submitted to the Audit Committee and the Board. The risk assessment report was compiled to cover: (i) the top risks of the Group; and (ii) associated action plans and controls designed to mitigate the top risks, where applicable, at appropriate levels. The management will perform the ongoing assessment to update the entity-level risk factors and report to the Board on a regular basis.

Handling and dissemination of inside information

The Company is committed to a consistent practice of timely, accurate and sufficiently detailed disclosure of material information about the Group. The Company has adopted an inside information disclosure policy which sets out the obligations, guidelines and procedures for handling and dissemination of inside information. With these guidelines and procedures, the Group has management controls in place to ensure that potential inside information can be promptly identified, assessed and escalated for the attention of the Board to decide about the need for disclosure.

The handling and dissemination of inside information of the Group is strictly controlled and remains confidential including but not limited by the following ways:

1. Restrict access to inside information to a limited number of employees on a need-to-know basis;
2. Reminder to employees who are in possession of inside information shall be fully conversant with their obligations to preserve confidentiality;
3. Ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations or dealings with third party; and
4. Inside information is handled and communicated by designated persons to outside third party.

Corporate Governance Report

Internal Audit Function

A professional firm has been appointed as the Group outsourced internal audit function (the “IA Function”) and assists the Board in conducting a review of certain key parts of the internal control system of the Group. The scope of the internal audit review carried out during the year includes: a) scoping and planning audit locations as agreed with the Audit Committee and the Board; b) review of the design of internal control structure by identifying the key controls in place and determining significant gaps within the design of the controls; c) testing of the key controls; and d) reporting to and making recommendations to the Audit Committee on the major design weaknesses in order to enhance the internal control of operation procedures, systems and controls. The internal control system is reviewed annually by the Board through the Audit Committee.

During the year, the IA Function has carried out review of the following processes of the Group:

1. Financial reporting and disclosure controls; and
2. Leasing business management.

The report with recommendations had been submitted to the Audit Committee and the Board and follow-up action has been taken based on recommendations, which have been monitored by the Board.

Whistleblowing Policy and Anti-corruption Policy

To achieve and maintain the highest standards of openness, probity and accountability, the Company adopted a whistleblowing policy. This policy aims to govern and deal fairly and properly with concerns raised by the Company’s employees and stakeholders about any suspected misconduct or malpractice regarding financial reporting, internal control or other matters within the Company.

To achieve and conduct business honestly, ethically and with integrity, the Company adopted an anti-corruption policy. This policy aims to set out the responsibilities of all business units and employees of the Group to comply with the applicable anti-corruption law, rules and regulations. The Group adopts a zero-tolerance principle against corrupt practices.

Further disclosures of whistleblowing and anti-corruption are set out in the Environmental, Social and Governance Report in this annual report.

Management’s confirmation on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforesaid paragraphs, the management made a confirmation to the Board that the Company had maintained an effective risk management mechanism and internal control system during the financial year ended 31 March 2024.

In view of the above arrangement in place, the Company considers that its risk management and internal control system is effective and adequate.

COMMUNICATION WITH SHAREHOLDERS

The Company has adopted the shareholders communication policy (the “Shareholders Communication Policy”) with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company.

Corporate Governance Report

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 (if any) to discuss progress and matters. 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 2024 Annual General Meeting will be decided on poll. The Company's share registrar will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with 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 2024 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.

During the year, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy and was satisfied with the said policy and considered the overall communication with shareholders was effective with the variety of communication channels provided above.

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.

Corporate Governance Report

(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:

Company Secretary
Safety Godown Company, Limited
Unit 1801, 18/F., Lu Plaza,
2 Wing Yip Street,
Kwun Tong, Kowloon, Hong Kong

Email: 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.

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, 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 7 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.

Corporate Governance Report

COMPANY SECRETARY

The Company engages an external service provider, Ms. Mui Ngar May, Joel, as its company secretary. Ms. Mui 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 Ms. Mui contacts, Ms. Mui has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

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.

The Company continues to promote investor relations and enhance communication with the existing shareholders and potential investors. The Company welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office in Hong Kong.

DIVIDEND POLICY

It is the intention of the Board to provide its shareholders with relatively consistent dividend income over the long term and to maintain the dividend payment at a satisfactory level based on the business environment and the performance of the Group but this does not constitute a legally binding commitment on the part of the Board. Declaration, recommendation and payment of dividends shall be subject to the approval of the Board, based on the suggestion of the management, according to the results of operations, working capital, financial position, future prospects, and capital requirements, as well as any other factors which the Board may consider relevant from time to time. Any future declaration, recommendation and payment of dividends may or may not reflect the historical declarations and payments of dividends and will be at the absolute discretion of the Board.

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

In conjunction of the Group's commitment towards sustainable development, we actively fulfil our corporate social responsibilities and are committed to achieving the following three key goals: caring for employees, protecting the environment and building a harmonious society.

The Group has been awarded the "Caring Company" logo for 21 consecutive years since 2003. In 2024, Hong Kong Council of Social Service awarded us the "20 Years Plus Caring Company" logo once again.

As part of the Group's continuously commitment to charitable events, we hosted and held two blood donation events jointly with Hong Kong Red Cross, at Lu Plaza during the year. We also supported the House Sponsorship Scheme sponsored by Po Leung Kuk. The scheme provides accommodation to children and teenagers who are in need of family care. The Group continues to make donations to the Evangel Children's Home to help low-income families and children with special educational needs by providing comprehensive day care and support services, facilitating a comprehensive learning and development opportunity.

Corporate Governance Report

The Group supported and sponsored a range of public welfare activities organised by The Community Chest of Hong Kong, such as raising funds for “Skip Lunch Day” which provides services for street sleepers, residents in cage homes and cubicles; purchasing commemorative tickets in “Green Low Carbon Day” which provides funds to green related projects; purchasing oral care packs in “Love Teeth Day” which enhances the oral health services for the needy; and participating in half marathon and 10 Km Run races in “The Community Chest Corporate Challenge” to raise funds for the enhancement of “Rehabilitation & Aftercare Service” sponsored by the Community Chest; The Group fully sponsored the Hong Kong Drum Festival – “Hong Kong Synergy 24 Drum Competition” organised by the Hong Kong Chinese Orchestra, which allows people from various sectors to challenge different drumming repertoire in a series of contests; The Group sponsored the Hong Kong Chinese Christian Churches Union to organise the Lunar New Year Lunch for Seniors 2024 to show care and attention for the elderly and promote the culture of respecting, loving and caring the elderly and sponsored The Hong Kong Chinese Christian Churches Union Kwong Yum Care Home to organise “Mid-Autumn Festival Reunion and Fun” and “Birthday Party”, and joined the staff of the home to celebrate with the elderly. The Group provided the venue to a Christmas party and a Winter Solstice lunch organised by Amazing Grace Worship “Action” volunteers in which the Group delivered Christmas gifts and provided a variety of festive food for the grassroots and single-parent family members.

The funding for the five-year development plan of the Hong Kong women volleyball team is still ongoing, mainly for hiring former members of the China women’s national volleyball team as a coach to improve the local team’s skills in the hope of achieving better performance for Hong Kong. In addition, the Group continued to sponsor the FIVB Volleyball Nations League Hong Kong 2024 to support the international sports event.

We offer the venue of Lu Plaza’s business centre The LU+ free of charge to NGOs for organising a variety of cultural and recreational activities, such as health and wellness talks, Chinese painting classes, Shaolin Traditional Baduanjin classes, Chinese medicine courses, yoga and fitness classes, drama classes, etc., to promote the development of recreational activities in the community.

The Group works closely with the Baptist Oi Kwan Social Service by providing venue sponsorship to organize different types of activities and talks, such as Territory-wide Flag Day activities; Christmas aroma candle holder workshop; stretching training sessions; home decluttering talks; seminars for Caregiver Awareness Day; “Social Hackathon: Cross-Generation Cooperation Competition”, etc. With the theme of “How to Improve the Physical and Mental health of Grassroots Children Living in Subdivided Units”, the “Social Hackathon: Cross-Generation Cooperation Competition” brought together all walks of life to collaborate in the form of competitions to identify the real needs of these children and find the core reasons.

In early 2024, the Group funded the Baptist Oi Kwan Social Service in partnership with the VTC Community Engagement Office and the Hong Kong Design Institute to design a multi-functional learning toolbox for students living in subdivided units, which aims to help schoolchildren improve their seating posture in a narrow living environment and study at home with sufficient light by means of the toolbox. The learning toolbox is made of environmentally friendly materials, in anticipation that the students can understand the concept of environmental protection and achieve sustainable development goals through environmental protection. The project is expected to be completed by August to September 2024. Before delivery to schoolchildren, the multi-functional learning toolbox will be displayed to let the public know about the benefits of the toolbox and the possibilities of environmentally friendly wood.

In addition, the Group has collaborated with Baptist Oi Kwan Social Service to launch various community service projects and sponsored the establishment of the social enterprise Ratoon Beauté: Nail Garden by Baptist Oi Kwan Social Service and ERB Manpower Development Scheme to facilitate career transition of many women from the grassroots and unemployed and support employment and job development for the past two years.

We provide support to various NGOs to distribute hot meals and fruit to the grassroots and homeless. The Group also funded projects such as home repair and cleaning for the helpless elderly.

Corporate Governance Report

The Group is committed to global environmental issues. In order to protect the environment and ecosystem, the Group actively promotes participation in environmental protection projects, encourages employees to save energy in their daily work and adopts a series of environmental protection initiatives. These include:

1. Adjusting the indoor air-conditioning to a constant temperature of 25.5 °C to save electricity consumption.
2. Saving electricity by turning off office lighting in vacant rooms or when supervisors are out of office.
3. Reducing the use of personal fax machines and photocopiers, so that employees can share a large multi-purpose photocopier to save power consumption, toner and maintenance costs of individual parts.
4. Reminding staff to print on used paper as much as possible and make full use of paper/envelope recycling.
5. Striving to upgrade the computer system and optimising the internal submission of approval documents by the computer system by instant reduction of paper printing.
6. Transferring documents and bills by email to external clients to save paper and carbon emissions in the mailing process.

In addition to encouraging employees to save energy and protect the environment and ecosystem, the Group also actively requests the management office of Lu Plaza of the Group, Jones Lang LASalle Property Management Ltd, to actively respond and cooperate with the Group, to raise the awareness of energy conservation and environmental protection. These include:

1. Setting up environmental recycling bins on all floors of the Group's building to collect a wide range of recyclable and sustainable items.
2. Encouraging tenants to recycle red pocket envelopes, mooncake boxes, computers, electrical appliances and plastic products.
3. Installing automatic water faucets in toilets on each floor to save water, automatic induction wipe toilet paper to save paper, and infrared automatic induction sensor lights to save electricity.
4. Saving energy by switching to green light bulbs and locking some lifts during off-peak hours.
5. Having metro shuttle buses in place for years to serve the entire building in anticipating that tenants will make use of public transport instead of private cars as much as possible to save energy.
6. Providing electric vehicle chargers in the Group's building against the global trend of electric vehicles to provide more convenient services for electric car drivers.
7. Supporting World Wildlife Fund's Earth Hour on 23 March 2024.
8. Cooperating with World Vision since 2016 to organize the "Used Book Recycling Campaign". In July 2023, the "Used Book Recycling Campaign 2023" was held and a collection station for used books was set up in the concierge of the building. The event was enthusiastically supported by tenants who donated a large number of books. In addition to supporting the recycling of used books, the main purpose of the campaign is to support the charity book sale of World Vision and raise funds for the "Project Supporting Local Children with Special Educational Needs (SEN)".
9. The revitalization project of Lu Plaza of the Group incorporates environmental protection elements and continuous improvement of building facilities to meet energy conservation and waste reduction requirements, and actively promotes the implementation of greening work environment scheme of the building, etc.

Lu Wing Yee, Wayne
Executive Director

Hong Kong, 25 June 2024

Environmental, Social and Governance Report

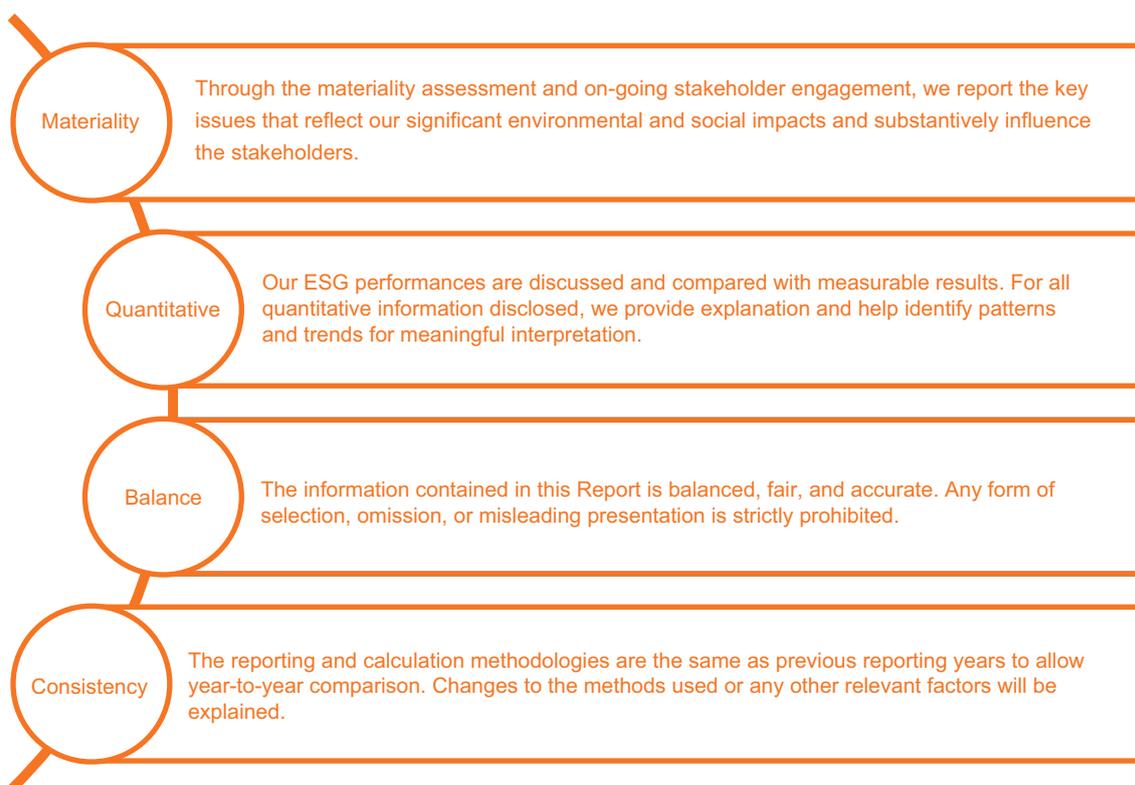
This Environmental, Social and Governance (“ESG”) Report (the “Report”) is the eighth ESG Report of Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively as the “Group”, “We”, “our” or “us”). It presents the ESG strategies of the Group and commitment to promoting sustainability across its business portfolio.

REPORTING SCOPE

The Report covers the ESG information related to the two principal businesses of the Group, namely property investment and godown operations, for the year ended 31 March 2024 (the “Reporting Period”). The Report emphasizes on the Group’s policies, initiatives, and performances of material ESG issues, which have been identified by our internal and external stakeholders. Meanwhile, details of our corporate governance practices are outlined in the “Corporate Governance Report” as set out in the Annual Report.

REPORTING PRINCIPLE

This Report has been prepared in accordance with the environmental, social and governance reporting guide as set out in Appendix C2 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“ESG Reporting Guide”). The disclosure requirements and the reporting principles of materiality, quantitative, balance, and consistency have been strictly followed to define the content and the presentation of the Report.



Environmental, Social and Governance Report

VISION AND STRATEGY

The Board of Directors of the Group (the “Board”) has adopted a memorandum on corporate culture to specify the Group’s vision, mission, values, and strategies with which the corporate culture is aligned. The Board will continue to set the tone at the top to promote and maintain the desired corporate culture at all levels of the Group.

Vision

The Group is committed to conducting all of its business operations in a manner that both protects the environment, contributes to sustainability, contributes to society and serves the business community while ensuring that we still achieve a reasonable profitability and provide a stable and reasonable return to shareholders.

Mission

The Group is committed to achieving long-term development and sustainable growth of its businesses, meeting the needs of customers and tenants by providing quality services, operating in a sustainable manner, and valuing and balancing the interests of all stakeholders and in a reasonable manner which balances overall costs and benefits.

Values

The Group upholds integrity, excellence, and social responsibility.

Report Confirmation and Approval

The senior management and the Board have reviewed and approved the ESG report in June 2024, confirming that the disclosures fairly represented the Group’s ESG performances, as well as fulfilling the reporting principles as set out in the ESG Reporting Guide.

ESG Approach

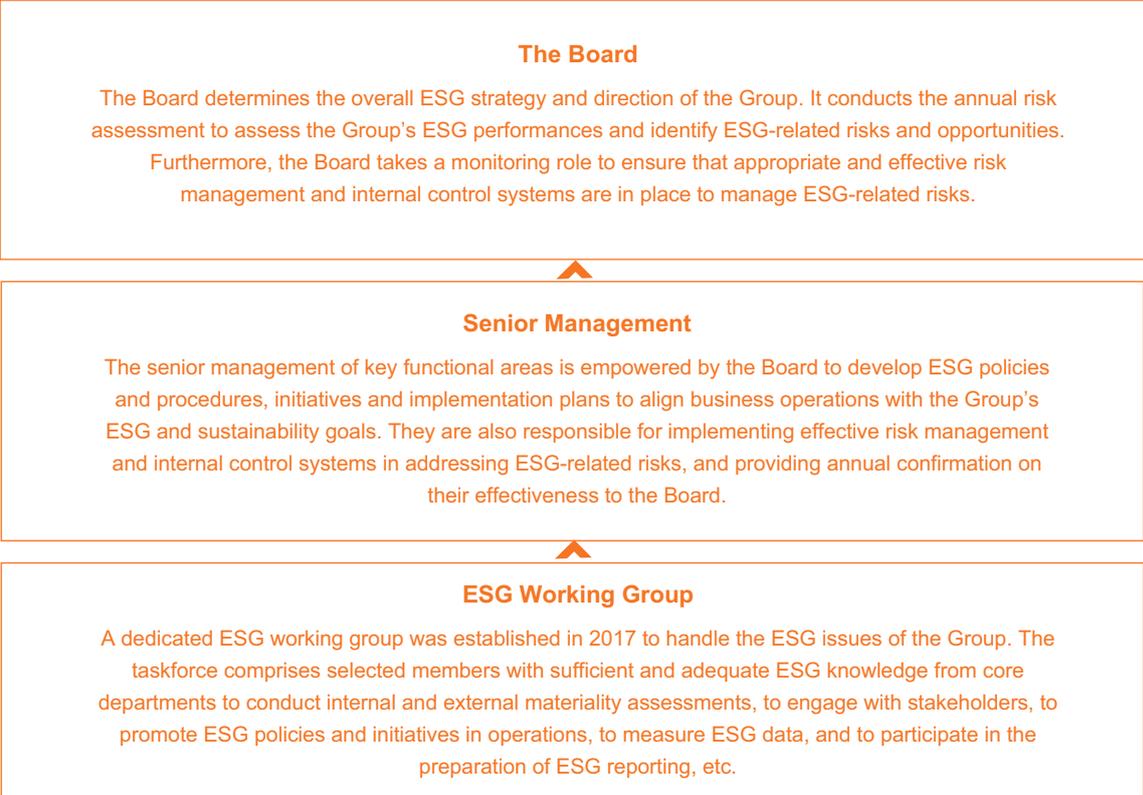
The Group is committed to promoting social responsibility through its sustainable business strategy, such as:

- Pay attention to the impact of business operations on the environment and natural resources.
- Comply with labor laws and regulations to protect employee rights.
- Take all reasonable and appropriate measures to provide a safe working environment for employees and tenants.
- Support and encourage employees to take courses, provide appropriate training and resources for employees to achieve professional development and personal growth.

Environmental, Social and Governance Report

ESG Governance

Our ESG governance framework led by the Board provides the basis for incorporating sustainability into our daily businesses and ensuring the interests and expectations of our stakeholders are considered for in our development strategies and implementation plans. The well-established framework facilitates communications across the Company to properly address ESG issues. Our ESG governance structure is presented below:



Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

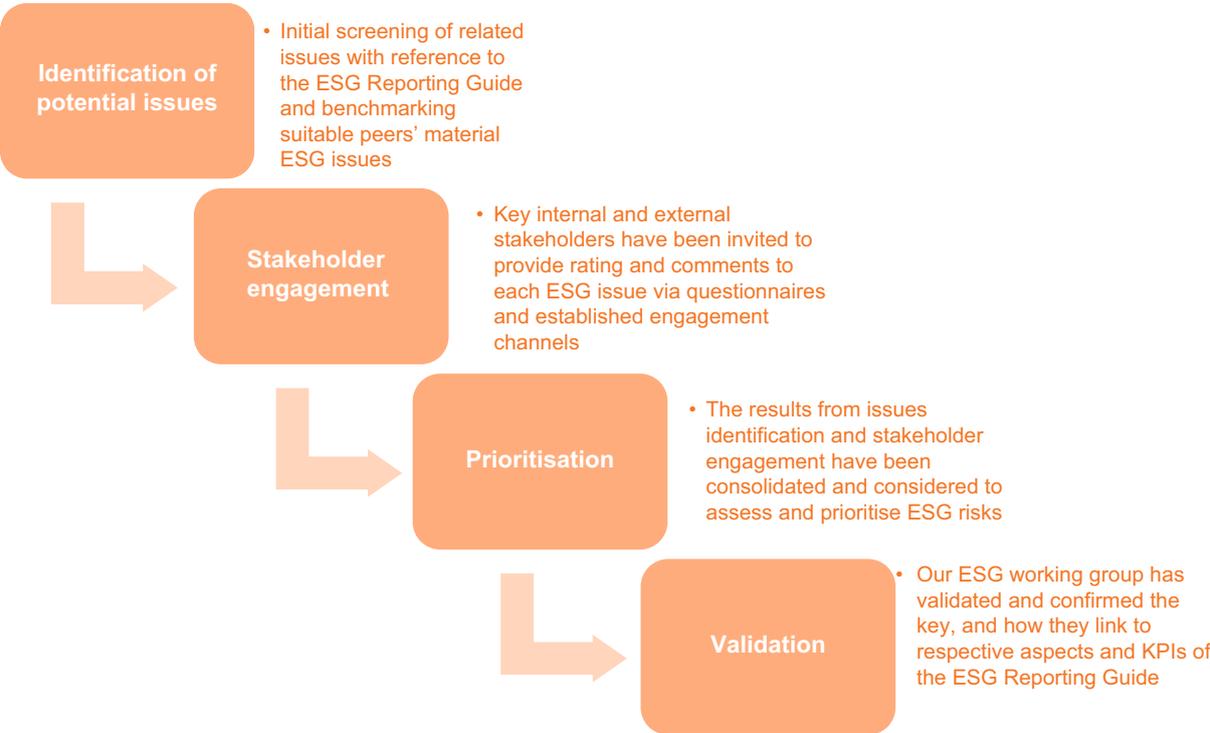
We value feedback from our stakeholders. We aim to formulate a balanced and sustainable development strategy that can strike a balance between our growth and stakeholders' expectations. We have engaged with the internal and external stakeholders of the Group and provided updates on recent developments through diverse engagement channels. The table below highlights the key stakeholders and the communication channels:

Major stakeholder groups	Key engagement channels
Employees	<ul style="list-style-type: none">✓ Emails and Publications✓ Employee Activities✓ Training Courses and Meetings✓ Performance Appraisal✓ WhatsApp groups
Clients	<ul style="list-style-type: none">✓ Corporate Websites✓ Client Surveys✓ Client Service Hotline✓ Client Meetings
Investors and Stockholders	<ul style="list-style-type: none">✓ Annual General Meeting✓ Announcements✓ Interim and Annual Report✓ Emails
Suppliers and Business Partners	<ul style="list-style-type: none">✓ Business Meetings✓ Supplier Assessment✓ Field Visitation
Government and Supervising Authorities	<ul style="list-style-type: none">✓ Public Consultation✓ Industry Forum
Social Groups and the General Public	<ul style="list-style-type: none">✓ Charitable Activities✓ Donations
Media	<ul style="list-style-type: none">✓ Official Websites

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

To identify and address key ESG issues concerned by our stakeholders, we conducted a materiality assessment to understand the impact of our businesses to the environment and society. We have invited the representatives of our external stakeholders and our senior management to evaluate the importance of a list of potential material topics. The materiality assessment process is outlined as follows:



Environmental, Social and Governance Report

Materiality Matrix

The materiality assessment in the Reporting Period identified 7 “Highly Important”, 11 “Important” and 9 “Partially Important” topics. Workplace health and safety, services quality and data privacy protection remained our primary focus. The matrix below lists out the ESG issues which were determined to be material to the Group during the Reporting Period.



Aspect

Environment ▲

Social ■

Customers/Clients ●

Community ◆

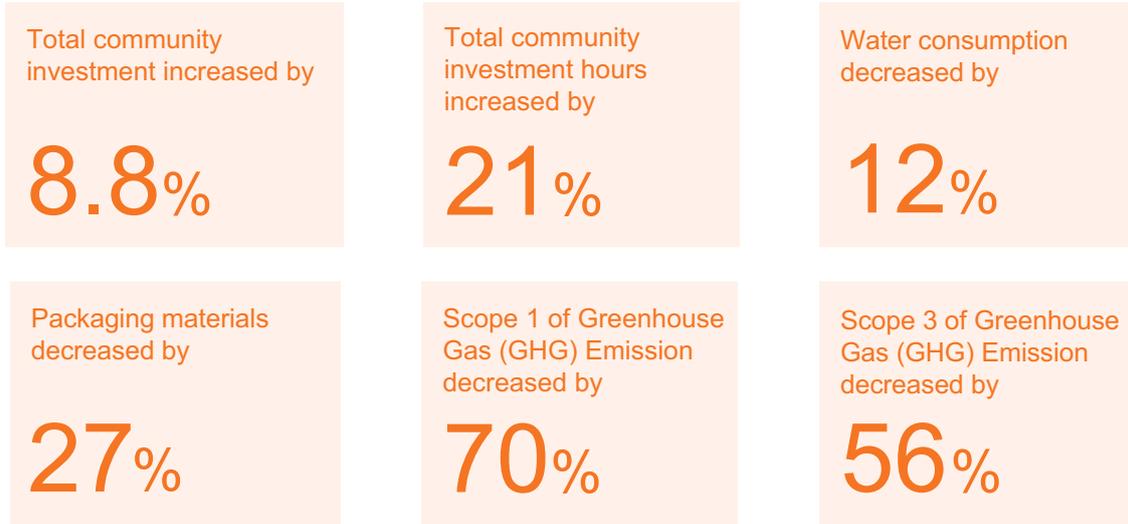
Issue

1. Air Emission
2. Greenhouse Gas Emissions
3. Non-hazardous Waste
4. Waste Disposal Management
5. Energy Usage
6. Water Usage
7. Packaging Material Usage
8. Green Renovation
9. Green Building
10. Climate Resilience
11. Recruitment and Promotion
12. Compensation and Dismissal
13. Working Hours and Rest Periods
14. Equal Opportunity and Diversity
15. Anti-discrimination
16. Benefits and Welfare
17. Workplace Health and Safety
18. Training and Development
19. Anti-Child and Forced Labor
20. Supply Chain Management
21. Green Procurement
22. Service Quality
23. Tenant and Customer Engagement
24. Advertising and Labelling
25. Data Privacy and Protection
26. Anti-corruption and Money Laundering
27. Community Investment

Environmental, Social and Governance Report

2023/2024 ESG PERFORMANCE QUICK FACTS

In the challenging year of 2023/2024, the Group continued its efforts to improve its ESG performance. Below are some performance highlights:



VALUE OUR PEOPLE

The Group understands that our business development and operations depend on the support of our employees and the local community. As a responsible enterprise, the Group cares about the well-being of our employees. It is enthusiastic about investing in the community, expecting to bring long-term value to society.

The table below lists out the related material ESG issues according to the result of materiality assessment done by our stakeholders.

Material ESG Issues	ESG Topics	Involved		Related SDGs
		HKEX's ESG Indicators		
<ul style="list-style-type: none"> Workplace Health and Safety Benefits and Welfare Equal Opportunity and Diversity 	Social ■	KPI B2.2 KPI B2.3		
	Social ■	KPI B1		
	Social ■	KPI B1.1 KPI B1.2		
<ul style="list-style-type: none"> Training and Development 	Social ■	KPI B3.1 KPI B3.2		
	Social ■	KPI B1		
<ul style="list-style-type: none"> Recruitment and Promotion Working Hours and Rest Periods Compensation and Dismissal 	Social ■	KPI B1		
	Social ■	KPI B1		

Environmental, Social and Governance Report

Workplace Health and Safety

The Group is committed to creating and maintaining a safe working environment for our employees and subcontractors to raise occupational safety and health awareness and to minimize potential risks and hazards in our operations. For instance, during the Reporting Period, additional ventilation equipment was installed in the warehouse to provide a better ventilated environment and effort to address to summer heat. We also work closely with the property management manager (Jones Lang LaSalle Management Services Ltd) to develop the operations manual and emergency reporting lines. We also conduct systematic examinations of safety conditions. Mitigation and preventive measures that comply with ISO 45001:2018 and workplace safety laws and regulations are in place. We only engage competent and qualified subcontractors to conduct repair and maintenance work.

Safety measures for the godown operations

We ensure that sufficient training and supervision are in place to reduce the possibility of workplace injury. Regular safety training is provided for the staff of godown operations, and relevant notices are sent to the staff via WhatsApp group. In the loading or unloading area of the godown, not only forklift warning signs are posted but also audible alarms are installed on all the forklifts to warn nearby pedestrians when forklifts are driven backwards. Moreover, no dangerous goods are allowed to be stored in our godown in accordance with the Cap. 295 Dangerous Goods Ordinance. Employee safety handbook with health and safety guidelines and practices for godown operations is reviewed and updated regularly.

During the Reporting Period, no work-related fatalities and injury were recorded:

	2023/24	2022/23	2021/22
Number of work-related fatalities of employees	0	0	0
Number of lost days of employees caused by work injury	0	0	0

Compliance with the relevant laws and regulations

We adhere to the Cap. 59 Factories and Industrial Undertakings Ordinance, the Cap. 509 Occupational Health and Safety Ordinance and other safety-related laws and regulations.

During the Reporting Period, we had not encountered any material non-compliance cases with occupational health and safety-related laws and regulations.

Employee Compensation, Benefits and Welfare

The Group offers a competitive compensation package to attract and retain employees as they are the primary driver of the business success. Benefits include the mandatory provident fund ("MPF"), medical insurance, long-term service award, special allowance for weddings/compassionate, attendance bonuses and education subsidies (for children of employees and for employees where applicable).

Employee remuneration is reviewed periodically. The adjustment is made based on numerous factors, including the macroeconomic conditions, company results, as well as the overall employee performance.

Environmental, Social and Governance Report

Working Hours and Rest Periods

The Group values the well-being of employees and encourages work life balance. In general, number of working hours is fixed. Overtime work is compensated under relevant laws and regulations. Furthermore, our employees are entitled to paid leave such as annual leave, maternity leave, and exam study leave.

Equal Opportunity, Diversity and Anti-discrimination

All employees are treated fairly and equally for hiring, promotion, job transfer and training. The assessment criteria for recruitment and promotion are developed solely to evaluate the attributes, skills and experiences of the candidates or employees. We also strive to build a diverse team with different backgrounds and qualifications in line with the business development needs of the Group.

Fair and unbiased talent management process

For the purpose of recruitment process, the human resources department has established fair, unbiased, and objective selection criteria and the candidates are assessed objectively on their experience and capabilities without any forms of bias towards gender, race, age, religion, pregnancy, disability, family status or sexual orientation.

The Group has established an annual performance appraisal system (based on fair and unbiased rating criteria with explanations/commentaries) to assess staff performance. Employees have the right to terminate the employment relationship in accordance with Employment Ordinance.

Anti-Child and Forced Labor

As a responsible employer, we prohibit the use of child and forced labor in any part of our business operations. We believe that children shall not be involved in any form of labor as they are the future pillars of our society. In addition, everyone should have his or her right to choose their job and working environment as all human beings are born free and equal in dignity and rights.

Commitment to responsible recruitment and anti-forced Labor

All of our employees sign formal employment contracts with us voluntarily and possess qualified identity documents. Identity checks conducted in the recruitment process ensure that candidates are eligible to work under the local labor laws. We have extended our commitment to anti-child and forced labor to our supply chain partners. The suppliers are expected to take all appropriate measures to prohibit their employees or other persons engaged by the suppliers, from engaging in child and forced labor.

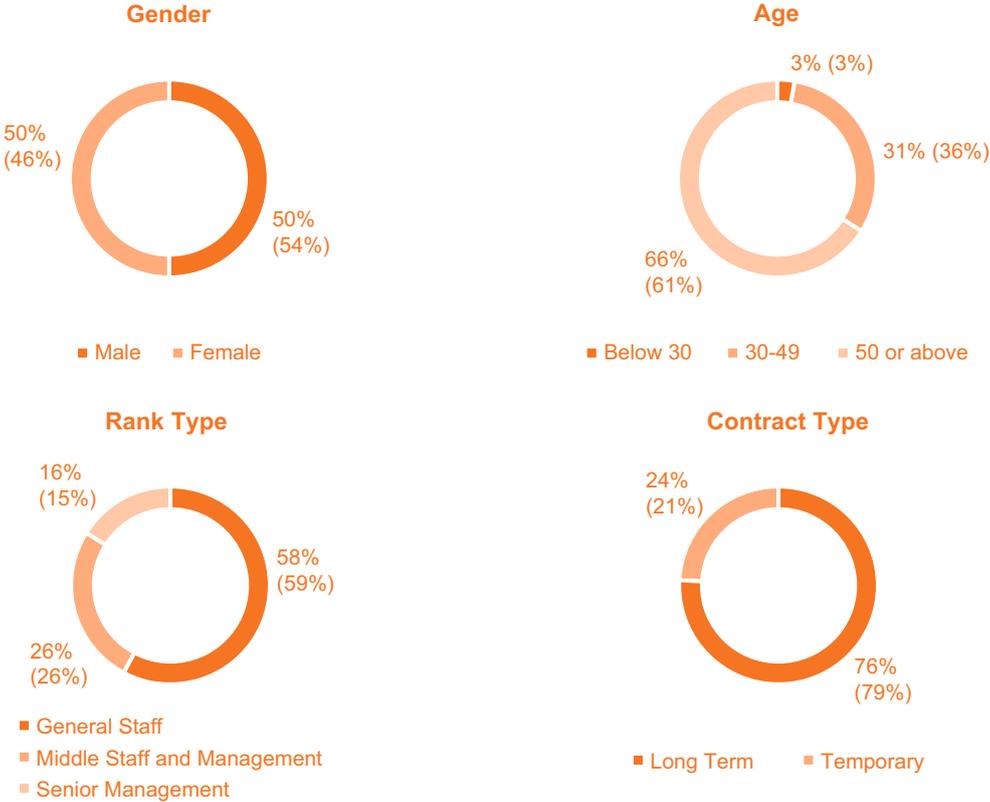
Compliance with the relevant laws and regulations

We closely follow the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance. During the Reporting Period, we did not identify any material non-compliance cases with anti-child and forced labor related laws and regulations.

Environmental, Social and Governance Report

As of 31 March 2024, we had a total of 38 employees (2023: 39 employees) located in Hong Kong. Detailed breakdowns are as below:

Total workforce



* Figures in bracket () are 2023 figures

Compliance with the relevant laws and regulations

Our human resources policies and procedures and employment contract have been developed with reference to the Cap. 57 Employment Ordinance and the Cap. 480 Anti-discrimination Ordinances. The Human Resource Department ensures compliance with legal requirements on wages, holidays, rest days and leave, and other employment protection, as well as preventing discrimination, harassment, and unfair treatment of the employees. We strive to safeguard our employee's interests and develop a harmonious workplace with equality, care, and respect.

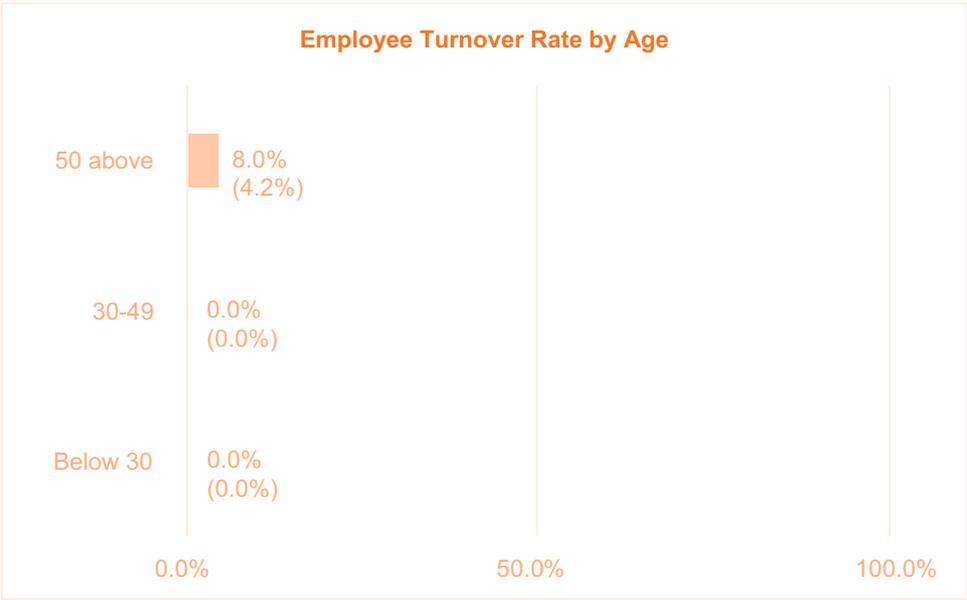
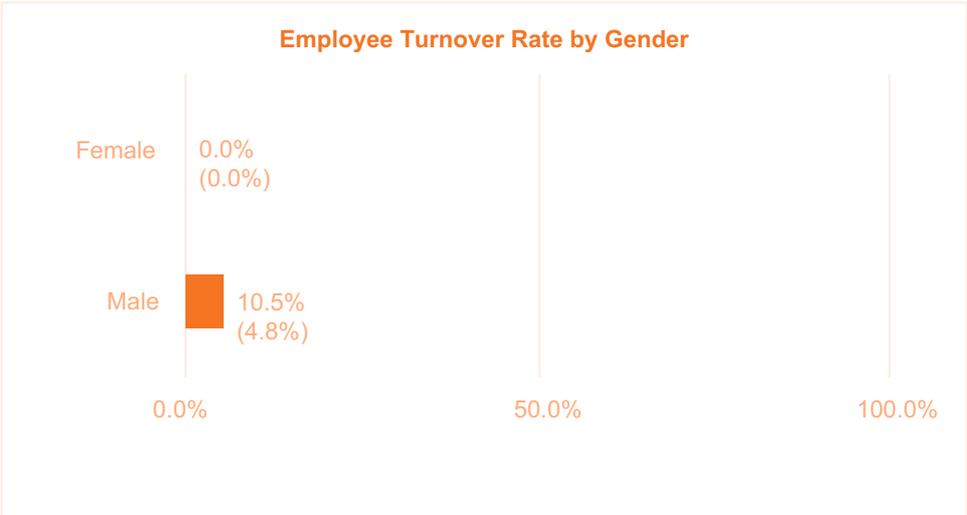
During the Reporting Period, we did not identify material non-compliance cases with employment-related laws and regulations.

Environmental, Social and Governance Report

Recruitment, Promotion and Dismissal

The Group strives to attract fit and qualified talents to pursue the Group's corporate culture, objectives, and goals and, at the same time, use our best effort to retain the existing staff and recognize and reward their efforts appropriately. The human resources department formulates the human resources plan periodically based on the Group's needs.

During the Reporting Period, the total number of employee turnover was 2 (2023: 1). Detailed breakdowns are as below:



* Figures in bracket () are 2023 figures

Environmental, Social and Governance Report

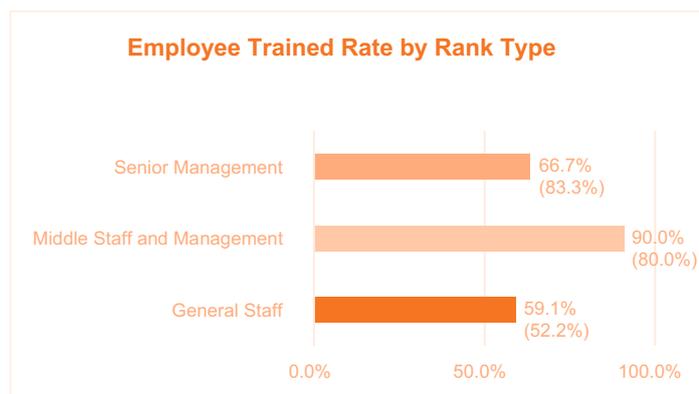
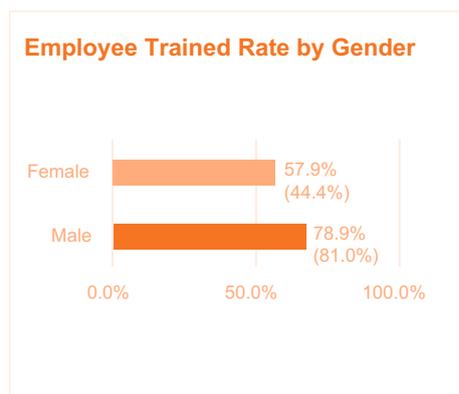
Categories	2023/24		2022/23	
	Employees turnover	Total workforce	Employees turnover	Total workforce
Gender				
Female	0	19	0	18
Male	2	19	1	21
Ages				
50 above	2	25	1	24
30-49	0	12	0	14
Below 30	0	1	0	1

Training and Development

Employee development is critical to both personal achievement and business success. We empower and enable them to realize their career aspirations.

Internal trainings are provided to employees when necessary to enhance their performance. Meanwhile, we also encourage our employees to attend external training courses to upskill their working knowledge and improve skillsets. For instance, education sponsorship and examination leave will be granted to eligible employees.

During the Reporting Period, there were 26 employees trained (2023: 25), with total training hours of 627.5 hours (2023: 922)¹. Detailed breakdowns are as below:

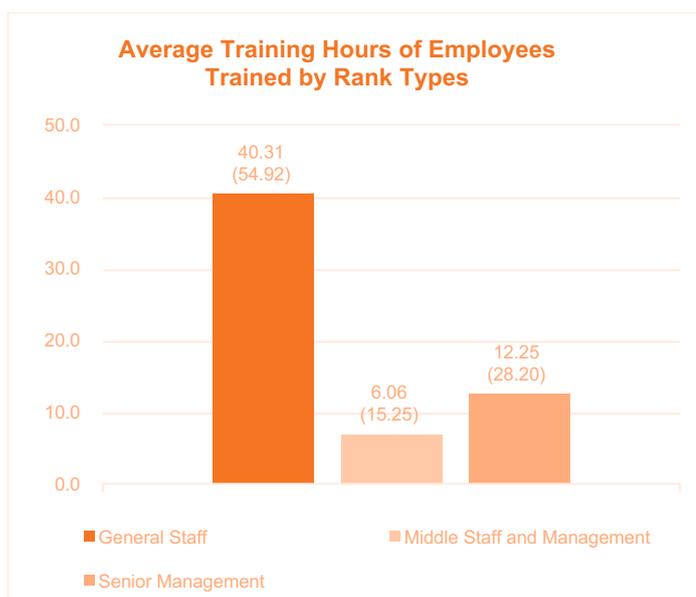
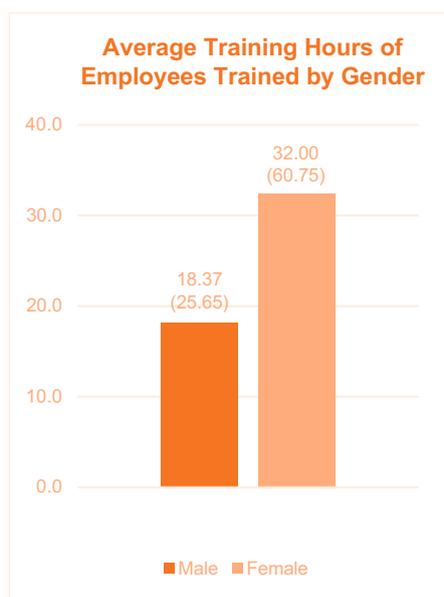


* Figures in bracket () are 2023 figures

¹ In 2023, a one-time new skills training session was introduced, which subsequently led to a modest reduction in the total training hours for this Reporting Period.

Environmental, Social and Governance Report

Categories	2023/24		2022/23	
	Employees trained	Total workforce	Employees trained	Total workforce
Gender				
Female	11	19	8	18
Male	15	19	17	21
Rank Types				
Senior Management	4	6	5	6
Middle Staff and Management	9	10	8	10
General staff	13	22	12	23



* Figures in bracket () are 2023 figures

Categories	2023/24		2022/23	
	Employees trained	Total training hours	Employees trained	Total training hours
Gender				
Female	11	352	8	486
Male	15	275.5	17	436
Rank Types				
Senior Management	4	49	5	141
Middle staff and management	9	54.5	8	122
General staff	13	524	12	659

Environmental, Social and Governance Report

VALUE OUR SOCIETY

We understand that inclusive growth of the local community is critical to the sustainability of the Company and have continuously devoted resources to engage different stakeholders of our community by organizing various activities and maintaining different communication channels.

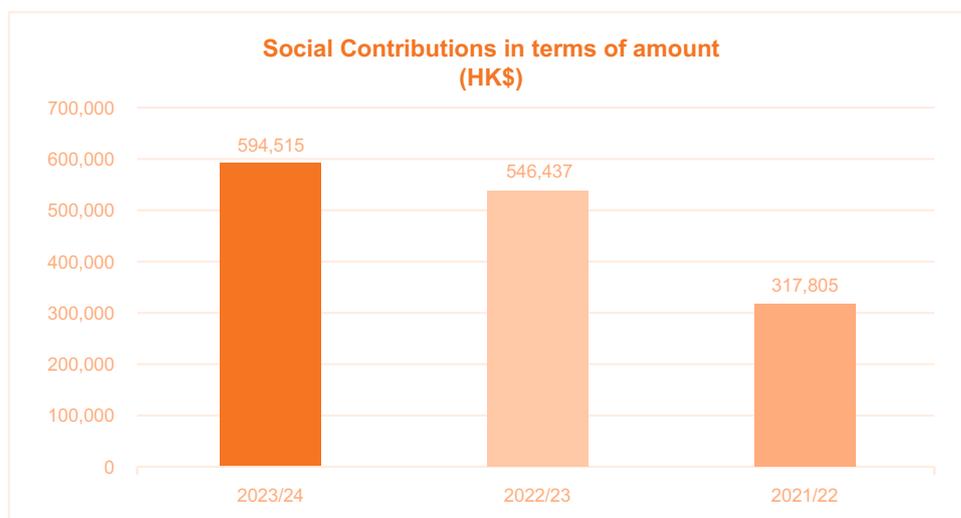
The table below lists out the related material ESG issue according to the result of materiality assessment done by our stakeholders.

Material ESG Issues	ESG Topics	Involved HKEX's ESG Indicators	Related SDGs
Community Investment	Community ♦	KPI B8.1 KPI B8.2	

Community Investment

We are also committed to creating a positive impact on society and reinvest for the future generations.

During the Reporting Period, the Group donated HK\$594,515 (2023: HK\$546,437) to support a wide array of social development programs. The figure provides the data of our social contributions in terms of amount:



Community related awards and recognition

We continued our support to the Hong Kong Chinese Orchestra in offering excellence in Chinese music. We believe music is a unique medium to conserve, inherit and spread cultural values. Performance can create social interaction and boost creativity beyond boundaries.

We continued to collaborate with Baptist Oi Kwan Social Service to launch the “Bless Canteen” program for the needed. The program aims to provide free hot meal boxes to people in need, including street sleepers and the underprivileged. Another collaboration with Baptist Oi Kwan Social Service is we supported their Flag Day by hosting an addition donation arrangement on site at Lu Plaza.

Environmental, Social and Governance Report

Having demonstrated our continued efforts support towards the social sector and promoting good corporate citizenship, we have been awarded the “Caring Company” logo consecutively for 21 years, we are currently one of the awardees under the longest tenured “20 Years Plus Caring Company” logo category.

The detailed community programs and organizations we supported during the Reporting Period were as follows:

Organizer	Name of Event/Project	Purpose and Target Beneficiaries
Evangel Children’s Home	S.E.N. 3.0 – Integrated Day Care Service	To support primary students with special educational needs with integrated day care and family support services
Po Leung Kuk	House Sponsorship	To support the residential care for children
The Community Chest	Green Low Carbon Day	To support environmental initiatives
	Love Teeth Day Skip Lunch Day	To provide oral health services for the needy To fundraise for street sleepers, residents in cage house and cubicles supported by The Community Chest
Hong Kong Chinese Orchestra	The Community Chest Corporate Challenge (Half Marathon and 10K Run)	To fundraise for “Rehabilitation and Aftercare Services”
	Parent-Child Drum Band The 20th Anniversary of Hong Kong Drum Festival – 2023 Hong Kong Synergy 24 Drum Competition	To promote and preserve traditional Chinese music culture, in particular for drum enthusiasts
The Hong Kong Chinese Christian Churches Union	Chinese New Year luncheon for the elderly	Hosted festive luncheon to honor and support the elderly
The Hong Kong Chinese Christian Churches Union Kwong Yum Care Home	Mid-Autumn Festival Fun Fair & birthday party	To celebrate with elderlies residing at the elderly care facilities, enhancing their social interactions and show casing warmth and care to them
Renshan Fortune Charity Association/ Hong Kong Fukien Athletic Club	Lantern Carnival for Mid-Autumn Festival and National Day	To celebrate the Mid-Autumn Festival and National Day with Renshan members
Baptist Oi Kwan Social Service	“Bless Canteen” Program	To distribute meal boxes to the homeless and underprivileged
Baptist Oi Kwan Social Service & Amazing Grace Worship “Action”	Mid-Autumn Gathering	Activities arranged for the underprivileged including handicraft activities, traditional Chinese mid-autumn games and festive gourmets
Baptist Oi Kwan Social Service	Territory-wide Flag Day 2023	The 2023 Flag Day fund raising is to primarily support ethnic minorities career development, elderly care and mental health care for children projects
Baptist Oi Kwan Social Service	Christmas gathering	To foster community and togetherness during Christmas
Amazing Grace Worship “Action”	Christmas and Winter Solstice gathering	Arrange various activities and celebrate festivals with low-income single parent families

Environmental, Social and Governance Report

Organizer	Name of Event/Project	Purpose and Target Beneficiaries
Baptist Oi Kwan Social Service & VTC Community Engagement Unit & Hong Kong Design Institute	Develop learning tools for under-privilege students	Aim to facilitate better learning and develop learning tools to learning efficiency for children living in subdivided flats
Hong Kong Red Cross Blood Transfusion Service	Blood Donation	To facilitate and increase awareness to further encourage blood donation activities in Hong Kong
World Vision	Provided venue for World Vision to collected used books and for rearranging the books collection for onward uses	Generally support World Vision's vision and mission.
WWF-Hong Kong	Earth Hour 2024	Promote and encourage zero-carbon lifestyle and habits for environmental protection
Volleyball Association of Hong Kong, China	Hong Kong Women Team Five Year Development Plan FIVB Volleyball Nations League Hong Kong 2024	Help promote volleyball in general and support a major sporting event in Hong Kong

Safety Godown Volunteer Team

Since 2020, we have established the Safety Godown Volunteer Team comprising general and management-level staff to demonstrate our commitment to serving the society. We continue to organize and participate in various volunteering activities to help people in need and foster team bonding and spirit. During the Reporting Period, the Volunteer Team contributed 237 hours (2023: 196 hours) to support a diverse range of social development initiatives.

VALUE OUR SERVICES

The Group relies on customer satisfaction to monitor and improve the service quality of the godown and property investment operation.

The table below lists out the related material ESG issues according to the result of materiality assessment done by our stakeholders.

Material ESG Issues	ESG Topics	Involved HKEX's ESG Indicators	Related SDGs
• Data Privacy and Protection	Customers/Clients ●	KPI B6.3 KPI B6.5	
• Service Quality	Customers/Clients ●	KPI B6.2	
• Tenant and Customer Engagement	Customers/Clients ●	KPI B6.2	
• Anti-corruption and Money Laundering (Ethical Conduct)	Customers/Clients ●	KPI B7.1 KPI B7.2 KPI B7.3	
• Green Procurement	Social ■	KPI B5.1 KPI B5.2 KPI B5.3 KPI B5.4	

Environmental, Social and Governance Report

Data Privacy and Protection

The protection of customer data is also our primary concern. We strictly comply with Cap. 486 Personal Data (Privacy) Ordinance (the "PDPO") and maintain clear guidelines on accessing, storing, and processing customer personal data and other confidential information collected in our business operations. We have applied data protection principles of the PDPO to our operations as follows:

- Only collect and retain personal data relevant to our business operations;
- Only use personal data for which the data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- Never transfer or disclose personal data to any entity that is not a member of the Group without consent unless required by law or previously notified; and
- Maintain appropriate security systems and measures to prevent unauthorized access to personal data.

Data Security Measures

To further protect our data from cyber-attack, reasonable network and information system security have been installed. In addition, we require our employees to take precautions to prevent leakage or abuse of sensitive information.

During the Reporting Period, we did not identify any material non-compliance cases with data privacy-related laws and regulations.

Service Quality and Safety

Our godown operation system is accredited to the ISO9001:2015 quality management system since 2019, which demonstrates our capability to consistently provide services that meet customer needs and applicable statutory and regulatory requirements and enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

Measures to safeguard the safety and security of the godown

To maintain a secure and safe environment in safeguarding our customers' cargoes in the godown, we have developed and implemented the following measures:

- Warehouse door locks
- 24-hour security guards
- Closed-circuit television ("CCTV")
- Visitor registration and identity check
- Stringent procedures in controlling incoming and outgoing stock movements are in place for the warehouse security
- Gradually install smart-card control system to the cargo lifts

Environmental, Social and Governance Report

Quality facility management

We continue to engage an experienced property management manager for our property investment business. The property management manager frequently communicates the needs and feedback of tenants or clients. We also monitor their satisfaction levels regularly and request our property management manager to enhance their service quality continuously.

If a tenant or client has made a complaint, the property management manager will handle the complaint in accordance with procedure guide, and various management personnel will also follow up the case. Improvement measures will be designed and discussed to solve the existing problems and prevent similar issues from arising in the future. All cases will be filed, and periodic review will be conducted to ensure all cases are handled under the standard.

During the Reporting Period, the Group did not receive any complaints from customers. If any complaints are received, we will promptly investigate and handle them.

Compliance with the relevant laws and regulations

We strictly conform to the Cap. 457 Supply of Services (Implied Terms) Ordinance, the Cap. 344 Building Management Ordinance, the Cap. 59 Factories and Industrial Undertakings Ordinance, and other service quality and safety-related laws and regulations. To ensure the service quality of the godown and property investment businesses, the Group abides by the statutory requirements and continuously monitor the compliance has been done properly.

During the Reporting Period, we did not identify any material non-compliance cases with service quality and safety-related laws and regulations.

Ethical Conduct

Given that honesty, probity, and fairness are the core values of the Group, any forms of corruption, bribery, extortion, money laundering and other fraudulent activities in connection with any of our business operations will not be tolerated. Our staff are required to uphold the highest degree of integrity and ethics at all times. Any non-compliance with our internal policies will be subject to warning and disciplinary actions, including but not limited to dismissals.

Anti-corruption Policy

In line with such commitment, the Group has adopted the anti-corruption policy to clearly state the minimum standards of ethical conduct expected of all its business units and employees and their responsibilities to comply with the applicable anti-corruption laws, rules, and regulations. The Group adopts a zero-tolerance principle against corrupt practices. Anti-corruption practices are extended to the supply chain of the Group through its procurement procedures.

All employees are prohibited from soliciting, accepting, or offering advantages from or to clients, suppliers or any person having business dealings of any kind with the Group. The ethical and anti-corruption guidelines are documented in the employee handbook to provide detailed instructions for employees in different scenarios.

Environmental, Social and Governance Report

Whistleblowing Policy

The whistleblowing policy has been established to provide a mechanism to employees and stakeholders to report concerns related to any suspected misconduct or malpractice with the Group via a confidential reporting channel. The concerns could be any bribery and corruption, impropriety, misconduct, or malpractice matters. Employees and stakeholders including customers, suppliers, contractors, tenants are encouraged to report their concerns that they encounter when they deal with the Group.

Employees reporting appropriate concerns are assured of protection against unfair dismissal, victimization, or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. Victimization or retaliation against a whistleblower will be subject to disciplinary actions. If a whistleblower makes a false report maliciously, with an ulterior motive, without reasonable grounds that the information in the report is accurate or reliable, or for personal gain, the whistleblower may face disciplinary action, including the possibility of dismissal. Each report will be investigated with strict confidentiality and the result of the investigation will be reported to the Board's Audit Committee for recommendations for action.

During the Reporting Period, we did not identify any material non-compliance cases with anti-corruption and money laundry-related laws and regulations.

Green Procurement

In line with continued ESG efforts, green procurement is promoted across the Group's operations as using the sustainable supplies can reduce environmental impacts. The Group's property management manager possesses the following environmental and social risk management accreditations:

- ISO 9001:2015 for quality management system
- ISO 14001:2015 for environment management system
- ISO 45001:2018 for occupational health and safety management system

Sustainability in procurement

Before the purchase decisions are made, we would strike a commercially reasonable balance between the environmental impacts, cost, and product quality. Products made of recycled materials, free of toxic substances, reusable and recyclable and featured with long durability and easy maintenance are preferable. The supplies used for property management strictly follow the green procurement practices set by the property management manager.

Criteria for sustainability evaluation

We have set the selection criteria for our renovation contractors and service providers. Each contractor or service provider is required to commit their services comply with environmental friendly practices to minimize the environmental impact during and after the work. Also, a site safety plan is required to ensure the operational risk management, risk mitigation plan and monitoring mechanism are designed to safeguard the site workers and the other related parties.

We prefer to cooperate with the contractors and service providers which have implemented sustainable practices. By closely working with these companies, we can build a sustainable supply chain that simultaneously contributes to society and fulfills our sustainability purpose. As of 31 March 2024, the number of active suppliers is listed in the below table:

	2023/24	2022/23	2021/22
Number of active suppliers	131	118	118

Environmental, Social and Governance Report

VALUE OUR ENVIRONMENT

The Group takes the initiatives to minimize our environmental impacts across the operations. We work with our property management manager to formulate planning for energy reduction and waste disposal to reduce carbon footprint.

The table below lists out the related material ESG issues according to the result of materiality assessment done by our stakeholders.

Material ESG Issues	ESG Topics	Involved HKEX's ESG Indicators	Related SDGs
• Waste Disposal Management	Environment ▲	KPI A1.5 KPI A1.6	
• Energy Usage	Environment ▲	KPI A2.1 KPI A2.3	
• Water Usage	Environment ▲	KPI A2.2 KPI A2.4	
• Green Renovation	Environment ▲	KPI A3.1	
• Green Building	Environment ▲	KPI A3.1	

Compliance with the relevant laws and regulations

To systematically minimize the significant environmental impacts of our operations, we fully comply with the Cap. 311 Air Pollution Control Ordinance, Cap. 358 Water Pollution Control Ordinance, Cap. 354 Waste Disposal Ordinance, Cap. 595 Hazardous Chemicals Control Ordinance, Cap. 400 Noise Control Ordinance and other environmental-related laws and regulations.

There were no significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations that had a significant impact on the Group during the Reporting Period.

Resource Management

We advocate environmental protection by reducing resource use, monitoring resource consumption, and driving employee behavior changes. We work with our property management manager to make use of commercially feasible yet advanced technologies to enhance energy efficiency.

Path to water efficiency

The Group continues to acknowledge the importance of promoting of water consumption reduction.

Water Efficiency Target
To continuously remind water conservation in our day-to-day business through awareness campaigns

Environmental, Social and Governance Report

We believe that the practice of water usage reduction can make an impact on water consumption. In doing so, the Group has adopted the following measures to achieve the above purpose:

- Using posters and internal communications;
- Encouraging employees and tenants to contribute to water conservation practice; and
- Tracking the water usage

LED lighting retrofitting

The Group has formulated a LED lighting retrofitting plan to replace fluorescent tubes in the godown for improvement in energy efficiency and utility savings. We have successfully completed over 30% of the retrofitting plan within the Reporting Period, implying we are on track with the 2027/2028 capacity reduction target.

Energy Use Efficiency Target

By 2027/28, a 6% reduction in electricity consumption intensity as compared with that in 2022/23

Final assessment of BEAM Plus have been passed in 2023, which signified that the building design and facilities had complied with the criteria of achieving energy efficiency.

Lu Plaza has demonstrated its green efforts. It is recognized by the Environmental Campaign Committee as one of the Hong Kong Green Organizations with Energywise Certificate in Basic Level. As we engaged Hong Kong Productivity Council to conduct a carbon audit on Lu Plaza in 2019, we set up an energy-saving plan based on the audit result to further reduce the overall electricity consumption in Lu Plaza.

In the future, despite the continuous increase of energy consumption resulted from the business development, we will continue to seek opportunities and feasibility to improve energy efficiency and reduce our carbon footprint in our operation and such efforts to also jointly with our tenants.

Emission and Waste Management

We conserve natural resources for the long-term sustainability of the community and aim to improve the efficiency of the use of resources. Given our Group's principal businesses of property investment and godown operations, emissions control and nonhazardous waste management have become the core of our sustainable development strategy. It is recognized by the Environmental Campaign Committee as one of the Hong Kong Green Organizations with Wastewise Certificate in Basic Level.

Reduction of air and greenhouse gas (GHG) emissions in daily operations

Given the nature of our business, the primary air emissions identified from our operations arise from using private vehicles and forklifts. Air emission and GHG emissions are generated from the use of unleaded petrol and Liquefied Petroleum Gas in daily operations. The indirect GHG emissions are attributable to our consumption of purchased electricity, waste disposal, water, and paper.

Emission Target

To gradually replace traditional fossil fuel vehicles to clean energy alternatives

Environmental, Social and Governance Report

The Group has adopted the following measures to achieve the above target:

- The majority of forklifts used in our godown is electric-powered;
- The rest of the forklifts used in our godown is Liquefied Petroleum Gas powered which is a cleaner fuel with a lower level of emissions; and
- To gradually phase out our fossil fuel motor vehicle(s) at the end of their respective lifecycle by changing to either Hybrid vehicles or EVs.

Optimization of a non-hazardous waste management

Due to our business nature, no significant hazardous waste was produced from our operations during the Reporting Period. Hence, the disclosure of the amount of hazardous waste was inapplicable. The non-hazardous waste generated by our day-to-day operations is mainly general domestic waste, wastepaper and wooden pallets.

Waste Reduction Target

To constantly promote the principle of 3Rs across day-to-day operations where appropriate to promote waste reduction awareness

To achieve our target, we have therefore implemented a wide range of measures to reduce waste at source and facilitate recycling as far as practicable, such as:

- Promoting the 3Rs (Reduce, Reuse, and Recycle) waste management principle by incorporating it into our operational procedures for our staff to follow;
- Adopting a paperless office strategy, such as encouraging double-sided printing and the use of electronic communication channels for document sharing to reduce paper usage;
- Adopting electronic procurement system and digitalizing the paper flows for godown operations in an attempt to encourage less paper use;
- Providing appropriate collection facilities such as paper and plastic bottle recycling bins to facilitate source separation and waste recycling;
- Organizing different campaigns with environmental organizations, including collection of second-hand books, mooncake boxes and red packets envelopes to raise the awareness of recycling and reuse of resources;
- Monitoring the waste generation from sources to the entire waste management system; and
- Reducing the number of trash cans in the public area to discourage waste disposal.

Climate Change

We recognize climate change as a crucial issue that requires significant attention as its impacts are irreversible damage to the world and our business. Even though we are not a heavy polluter, we make every effort to demonstrate our commitment to our stakeholders in addressing climate-related risks and opportunities arising from climate change.

Climate change mitigation and adaptation measures are important to tackle the impacts of climate change on the operations of the Group. The Board oversees the climate change issues encountered by the Group and manages the climate-related risks and opportunities accordingly. In order to ensure the Group is fully aware of the climate-related risks and opportunities of the Group, the climate change issues have been included in the enterprise risk assessment to take into account of the actual and potential impacts of climate-related risks and opportunities on the Group's businesses, strategy and decision-making.

We will monitor applicable and feasible strategies in line with the regional and global standards and the industry's practices to works towards managing climate risks related to our business.

Extreme weather events have caused significant destructions worldwide. To prevent physical damage from severe weather and build climate resilience, we will periodically update precautionary measures to better prepare ourselves for the climate impacts.

Environmental, Social and Governance Report

Recommendations of the Task Force on Climate-Related Financial Disclosures

We have identified the climate-related risks and opportunities using the Task Force on Climate-related Financial Disclosures (TCFD) recommended framework.

Climate-related Risks		
Physical Risk		
Category	Description	Expected outcomes and financial impacts
Extreme weather events	Increased severity and frequency could have severe impacts on the Company's operations	<ul style="list-style-type: none"> • Typhoons, floods, etc. may cause property damage and life injury • Increase in maintenance costs, procurement costs, and costs related to legal liabilities • Loss of revenue due to business disruptions • Higher insurance premium
Rising mean temperature	More air-conditioning to cool down the indoor work environment	<ul style="list-style-type: none"> • Higher electricity consumption • Higher maintenance costs • Early retirement of the air-conditioning system
Transition Risk		
Category	Description	Expected outcomes and financial impacts
Policy and Regulatory Risk	More stringent climate-related laws and regulations may give rise to compliance challenges and potential litigation	<ul style="list-style-type: none"> • The government may hasten to promote green buildings. This will increase overall operating costs and Capex to comply with regulations.
Technology	Investment required for new technology to achieve low emissions and energy efficiency	<ul style="list-style-type: none"> • Stranded assets • Early retirement of operating assets • Increase in Capex
Market and Reputational Risk	The Company's goodwill will be affected if the Company is unable to meet the stakeholders' expectations on the sustainability initiatives of the Company	<ul style="list-style-type: none"> • Loss of revenue due to shift of tenants' preferences • Access to green funding may be limited • Tenants tend to demand for green working environment • Increase in Capex for retrofitting • Rental rates may be subdued
Climate-related opportunities		
Category	Description	Expected outcomes and financial impacts
Green building	Green retrofitting work for the investment properties	<ul style="list-style-type: none"> • Increased valuation • Green appeal to tenants • Higher rental level • Lower operating costs • Green work environment
Energy source	Alternative clean fuels or renewable energy	<ul style="list-style-type: none"> • Lower GHG emissions • Lower carbon tax
Green finance	Access to sustainability-linked capital market	<ul style="list-style-type: none"> • Lower interest rates • Higher ESG ratings
Resilience	Integration of adaptation and mitigation measures into risk management	<ul style="list-style-type: none"> • Increased resilience capability of the operations • Lower physical damages • Lower financial impacts

Environmental, Social and Governance Report

Environmental Performance Statistics

Reporting Item	Unit	2023/24			2022/23			2021/22		
		Total	Per Staff	Per GFA	Total	Per Staff	Per GFA	Total	Per Staff	Per GFA
Energy Consumption ²										
Unleaded Petrol ³	L	985	25.92	0.004	3,420	87.68	0.01	3,459	96.08	0.01
Electricity ⁴	kWh	228,980	6,025.79	0.98	198,682	5,094.41	0.72	231,371	6,429.97	0.75
Liquefied Petroleum Gas ⁵	kg	96	2.53	0.0004	208	5.33	0.0008	720	20.00	0.0023
Water Consumption ^{6,7}										
Water	m ³	928	24.42	0.0040	1,058	27.13	0.0039	726	20.17	0.0024
Packaging Material										
Plastic Wrap ⁸	kg	88			120			80		
Air Emission ^{9,10}										
Nitrogen oxides (NOx)	kg	0.52			1.56			1.50		
Sulphur Oxides (SOx)	kg	0.01			0.05			0.05		
Particulate Matter (PM)	kg	0.04			0.11			0.10		
Greenhouse Gas (GHG) Emission¹¹										
Scope 1 ¹²	tonnes	2.91	0.08	0.000013	9.72	0.25	0.000035	11.37	0.32	0.000037
Scope 2 ¹³	tonnes	89.30	2.35	0.000384	77.49	1.99	0.000283	90.23	2.51	0.000293
Scope 3 ¹⁴	tonnes	4.72	0.12	0.000020	10.77	0.28	0.000039	1.51	0.04	0.000005
Total GHG Emissions	tonnes	96.93	2.55	0.000417	97.98	2.51	0.000357	103.11	2.86	0.000335
Hazardous/Non-hazardous Waste										
General Waste ¹⁵	tonnes	15.70			19.58			17.72		
Recycled Waste										
Recycled Paper	tonnes	0.86			2.10			0.22		
Recycled Wooden Pallets	tonnes	0			0			0		

2 This only covers energy directly consumed by and controlled by the Group, excluding consumption by tenants and other third parties.

3 The decrease is attributable to phased out of one motor vehicle starting our fiscal year 2024 and have not replaced it yet.

4 The increase is attributable to a number of factorings including, but not limited to, higher number of tenants moving in, initiation of cargo installation projects and the establishment of a temperature-controlled warehouse during the Reporting Period.

5 LPG usage for forklifts decreased due to fewer paper-printing clients, reducing the need for heavy item handling which can only be handled by LPG forklifts.

6 This only covers water directly consumed by and controlled by the Group, excluding consumption by tenants and other third parties.

7 Since all water usage within our properties was provided through centralized city pipelines, we did not encounter any issue regarding sourcing water that was fit for purpose during the Reporting Period.

8 The quantity of plastic wrap used has decreased due to certain public warehouse clients and their goods no longer requiring wrapping.

9 The calculation of air emissions was performed in accordance with HKEx ESG Guideline Appendix 2: Reporting Guidance on Environmental KPIs.

10 Refer to note 3 and note 5.

11 The calculation of total GHG emissions was performed in accordance with the HKEx ESG Guideline Appendix 2: Reporting Guidance on Environmental KPIs.

12 Refer to note 3.

13 The increase is attributable to a higher number of tenants moving in, initiation of cargo installation projects and the establishment of a temperature-controlled warehouse during the Reporting Period.

14 In 2023, 1,447 kg of old documents were cleaned up and recycled as part of a major clean up project initiated during early 2023 fiscal year. During this Reporting Period, shredding only as necessary and hence reduced the wastepaper amount to 414 kg only. Therefore, the Scope 3 of GHG emissions decreased.

15 In 2023, effective waste management practices, including recycling 1,447 kg of documents and selective shredding reducing wastepaper to 414 kg in 2024, coupled with the reuse of quality wooden pallets during client shipments, significantly decreased the amount of general waste.

Environmental, Social and Governance Report

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

Subject Areas/ Aspects/General Disclosures and KPIs	Description	Reference
Environmental		
A: Environmental		
A1 Emissions		
General Disclosure	Information on (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Value Our Environment (P. 49)
KPI A1.1	The types of emissions and respective emissions data	Environmental Performance Statistics (P. 53)
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity	Environmental Performance Statistics (P. 53)
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Statistics (P. 53)
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity	Environmental Performance Statistics (P. 53)
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them	Emission and Waste Management (P. 50)
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them	Emission and Waste Management (P. 50)
A2 Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Value Our Environment (P. 49)
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity	Environmental Performance Statistics (P. 53)
KPI A2.2	Water consumption in total and intensity	Environmental Performance Statistics (P. 53)
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them	Resource Management (P. 49)
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them	Resource Management (P. 49)
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Environmental Performance Statistics (P. 53)

Environmental, Social and Governance Report

Subject Areas/ Aspects/General Disclosures and KPIs	Description	Reference
A3 The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources	Environmental Performance Statistics (P. 53)
KPI A3.1	Description of the significant impacts on the environment and natural resources and the actions taken to manage them	Resource Management (P. 49)
A4 Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer	Climate Change (P. 51)
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them	Climate Change (P. 51)
Social		
Employment and Labour Practices		
B1 Employment		
General Disclosure	Information on: (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Employee Compensation, Benefits and Welfare (P. 37) Equal Opportunity, Diversity and Anti-discrimination (P. 38) Recruitment, Promotion and Dismissal (P. 40)
KPI B1.1	Total workforce by gender, employment type (for example full- or part-time), age group and geographical region	Equal Opportunity, Diversity and Anti-discrimination (P. 38)
KPI B1.2	Employee turnover rate by gender, age group and geographical region	Recruitment, Promotion and Dismissal (P. 40)
B2 Health and Safety		
General Disclosure	Information on: (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Workplace Health and Safety (P. 37)
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year	Workplace Health and Safety (P. 37)
KPI B2.2	Lost days due to work injury	Workplace Health and Safety (P. 37)
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored	Workplace Health and Safety (P. 37)

Environmental, Social and Governance Report

Subject Areas/ Aspects/General Disclosures and KPIs	Description	Reference
B3 Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities	Training and Development (P. 41)
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management)	Training and Development (P. 41)
KPI B3.2	The average training hours completed per employee by gender and employee category	Training and Development (P. 41)
B4 Labour Standards		
General Disclosure	Information on: (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Anti-Child and Forced Labor (P. 38) No non-compliance incidents with laws and regulations related to child and forced labor was identified during the reporting period.
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour	The suppliers are expected to take all appropriate measures to prohibit their employees or other persons engaged by the suppliers, from engaging in child and forced labor.
KPI B4.2	Description of steps taken to eliminate such practices when discovered	The suppliers are expected to take all appropriate measures to prohibit their employees or other persons engaged by the suppliers, from engaging in child and forced labor.

Environmental, Social and Governance Report

Subject Areas/ Aspects/General Disclosures and KPIs	Description	Reference
Operating Practices		
B5 Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain	Green Procurement (P. 48)
KPI B5.1	Number of suppliers by geographical region	Green Procurement (P. 48)
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored	Green Procurement (P. 48)
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored	Green Procurement (P. 48)
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored	Green Procurement (P. 48)
B6 Product Responsibility		
General Disclosure	Information on: (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Value Our Services (P. 45)
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	The KPI is not applicable to our current scope of business.
KPI B6.2	Numbers of products and service related complaints received and how they are dealt with	Service Quality and Safety (P. 46)
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights	Data Privacy and Protection (P. 46)
KPI B6.4	Description of quality assurance process and recall procedures	The KPI is not applicable to our current scope of business.
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored	Data Privacy and Protection (P. 46)

Environmental, Social and Governance Report

Subject Areas/ Aspects/General Disclosures and KPIs	Description	Reference
B7 Anti-corruption		
General Disclosure	Information on: (i) the policies; and (ii) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Ethical Conduct (P. 47)
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases	Ethical Conduct (P. 47)
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored	Ethical Conduct (P. 47)
KPI B7.3	Description of anti-corruption training provided to directors and staff	Ethical Conduct (P. 47)
B8 Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	Value Our Society (P. 43)
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport)	Value Our Society (P. 43)
KPI B8.2	Resources contributed (e.g. money or time) to the focus area	Value Our Society (P. 43)

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 2024.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding and treasury investment. 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 2024 are set out in the consolidated statement of profit or loss and other comprehensive income on page 69.

An interim dividend of HK2.5 cents per share, amounting to HK\$10,125,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK4.5 cents per share amounting to HK\$18,225,000 to the shareholders whose names appear on the register of members on 2 September 2024.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2024, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$752,917,000 (2023: HK\$767,760,000).

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 Wing Yee, Wayne
Ms. Lu Wing Man, Melissa (appointed on 12 December 2023)

Non-executive director

Mr. Lee Ka Sze, Carmelo

Independent non-executive directors

Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence
Mr. Wong Wilkie (appointed on 12 December 2023)
Ms. Oen Li Lin (resigned on 4 September 2023)

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Wing Yee, Wayne and Mr. Lam Ming Leung shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 83 of the Company's Articles of Association, Ms. Lu Wing Man, Melissa and Mr. Wong Wilkie shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election.

Directors' Report

DIRECTORS (Continued)

(a) Directors of the Company (Continued)

Details of the directors to be re-elected at the 2024 annual general meeting are set out in a 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.

The term of office for each non-executive director (including independent non-executive director) is the period up to his retirement by rotation and subject to re-election 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, Mr. Lu Wing Yee, Wayne is also a director of all 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. Huang Huei Ru and Mr. Wong Hung Chin.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2024, the interests of the directors of the Company and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Number of issued ordinary shares of the Company held (long position)				Total interests	Approximately percentage of issued shares of the Company ²
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,301,580	–	–	13,200,000 ¹	41,501,580	10.247%
Ms. Lu Wing Man, Melissa	19,447,500	–	–	–	19,447,500	4.802%
Mr. Lam Ming Leung	30,000	–	–	–	30,000	0.0074%
Mr. Wong Wilkie	120,000	–	–	–	120,000	0.0296%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested jointly with Ms. Chan Koon Fung in these 13,200,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).
2. Based on 405,000,000 shares in issue as at 31 March 2024.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 31 March 2024.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

Other than as disclosed in note 25 to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company or his/her connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year and up to the date of this report, Mr. Lu Wing Yee, Wayne and Ms. Lu Wing Man, Melissa are considered to have interests in the businesses which compete or are likely to compete with the businesses of the Group pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") as Mr. Lu held directorships and had beneficial interests while Ms. Lu had beneficial interests in two companies, namely KNF Investment Holdings Ltd. and Globetech Enterprises Limited which have interests in securities investment (including equity and debt securities investments).

The Board is of the view that the Group is capable of carrying on its businesses independently of the interests referred to in the paragraph above. When making decisions on the treasury investment business, Mr. Lu and Ms. Lu, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

Save for the above, none of the directors of the Company had any interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

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 provides 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/her in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour or in which he/she is acquitted or in connexion with any application as specified therein in which relief is granted to him/her by the court.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2024, 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 shares of the Company:

Name of substantial shareholders	Capacity	Number of issued ordinary shares held (Long Position)		Approximately percentage of issued share of the Company ³
		Direct interest	Indirect interest	
Kian Nan Financial Limited	Beneficial interest	147,610,335	–	36.45%
Eargold Limited	Beneficial interest	31,050,000	–	7.67%
Lusin And Company Limited	Beneficial interest	20,260,983	–	5.00%
Chelton Trading Limited	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	8,968,500	212,121,318 ²	54.59%

Notes:

1. The shares were held by Eargold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Eargold Limited and, therefore, they were taken to be interested in 31,050,000 shares held by Eargold Limited.
2. Among these 212,121,318 shares, (a) Ms. Chan Koon Fung was taken to be interested in 31,050,000 shares through Eargold Limited which was held by Chelton Trading Limited (directly owned 50%) and Gladiator Investments Co. (directly owned 50%), in both of which Ms. Chan directly owned 50%; (b) she was taken to be interested in 147,610,335 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 20,260,983 shares which were held by Lusin And Company Limited, in which Ms. Chan owned 38.75%; and (d) she was taken to be interested jointly with Mr. Lu Wing Yee, Wayne in 13,200,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 405,000,000 shares in issue as at 31 March 2024.

Other than as disclosed above, as at 31 March 2024, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued shares of the Company.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the year or subsisted at the end of the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in note 25 to the consolidated financial statements. Those related party transactions did not constitute connected transactions or continuing connected transactions and/or constituted exempted connected transactions or exempted continuing connected transactions under the Listing Rules.

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, change of information of the directors is set out as below:

Mr. Lu Wing Yee, Wayne ceased to be the chairman of the investment committee of the Company upon its dissolution on 28 June 2023.

Mr. Lee Ka Sze, Carmelo resigned as an independent non-executive director of KWG Group Holdings Limited with effective from 1 March 2024.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 8% (2023: 9%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 24% (2023: 28%) 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 issued shares) have any interest in any of the Group's five largest customers.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive directors has made confirmation of his independence pursuant to Rule 3.13 of the Listing Rules to the Company. 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 reviewed by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and market comparables.

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 2024.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$595,000.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance. The Company has complied throughout the year ended 31 March 2024 with the code provisions in the Corporate Governance Code as set out in Appendix C1 to the Listing Rules, with exception of certain deviations. Detailed information on the Company's corporate governance practices and certain deviations are set out in the Corporate Governance Report contained in pages 14 to 29 of the Annual Report.

Directors' Report

BUSINESS REVIEW AND PERFORMANCE

Review on the business of the Group, discussion and analysis on the performance of the Group during the year, significant factors affecting performance and financial position (including the analysis from the usage of financial key ratio) and the Group's future business development were set out in pages 6 to 8 of the Executive Director's Statement, pages 9 to 13 of the Management Discussion and Analysis, and page 5 of Five-year Financial Summary.

An overview on the financial performance of the Group's business segments, financial resources, compliance with regulations, relationships with its key stakeholders and the principal risk and uncertainties are set out in pages 9 to 13 of the Management Discussion and Analysis while social responsibilities and environmental protection policies were set out in pages 14 to 29 of the Corporate Governance Report and the Environmental, Social and Governance Report.

The different parts of this Annual Report contain relevant laws and regulations that the Group has complied with and has significant influence on them. The Environmental, Social and Governance Report also contains information on environmental policy and performance and the relationship between the Group and its major stakeholders.

Discussion on the above-mentioned issues provided from the Executive Director's Statement, Management Discussion and Analysis, Five-year Financial Summary, Corporate Governance Report and Environmental, Social and Governance Report which form part of this Directors' Report.

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

Executive Director

Hong Kong, 25 June 2024

Independent Auditor's Report

Deloitte

德勤

TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)

OPINION

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 69 to 115, which comprise the consolidated statement of financial position as at 31 March 2024, 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 notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

We identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant judgments associated with determining the fair value.

As at 31 March 2024, the Group's investment properties amounted to HK\$2,812,400,000, representing approximately 70% of the Group's total assets. During the year, a decrease in fair value of investment properties of HK\$206,756,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

The Group's investment properties were carried at fair value based on the valuations performed by the independent qualified professional valuers. Details of the valuation techniques, significant assumptions and key inputs used in the valuations are disclosed in note 14 to the consolidated financial statements. The valuations were dependent on certain key inputs that involve the management's judgments, including capitalisation rates, market unit rents of individual units and market observable transactions of comparable properties.

Our procedures in relation to the valuation of investment properties included:

- Understanding management's process over the valuation of investment properties including the involvement of independent qualified professional valuers, and evaluating the competence, capabilities and objectivity of the independent qualified professional valuers;
- Obtaining an understanding of the valuation process and methodologies, the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used by the management and independent qualified professional valuers in the valuations;
- Evaluating the reasonableness of the methodology and assumptions applied in valuation by comparing with industry norms; and
- Assessing the reasonableness of key inputs used in the valuations by comparing to relevant market information on market unit rents achieved, capitalisation rates adopted and market observable transactions in other comparable properties in the neighbourhood.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lee, Carmen Kar Man.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

25 June 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Revenue	5	<u>177,192</u>	<u>147,353</u>
Income from godown operations		17,284	20,232
Income from property investment		111,811	101,644
Interest income		44,822	21,472
Dividend income		3,275	4,005
Other gains and losses		(2,433)	(41,117)
Other income	7	–	815
Exchange (loss) gain, net		(1,403)	218
Decrease in fair value of investment properties	14	(206,756)	(211,840)
Staff costs		(22,215)	(18,836)
Depreciation of property, plant and equipment		(23,699)	(25,824)
Impairment loss on trade and other receivables under expected credit loss (“ECL”) model		(178)	(1,414)
Other expenses		<u>(30,278)</u>	<u>(24,648)</u>
Loss before taxation	10	(109,770)	(175,293)
Taxation	11	<u>(12,879)</u>	<u>(12,996)</u>
Loss for the year attributable to owners of the Company		<u>(122,649)</u>	<u>(188,289)</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owned properties to investment properties		<u>123,555</u>	<u>93,626</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>906</u>	<u>(94,663)</u>
Loss per share – Basic	13	<u>(HK\$0.30)</u>	<u>(HK\$0.46)</u>

Consolidated Statement of Financial Position

At 31 March 2024

	NOTES	2024 HK\$'000	2023 HK\$'000
Non-current assets			
Investment properties	14	2,812,400	2,854,500
Property, plant and equipment	15	173,419	221,439
		<u>2,985,819</u>	<u>3,075,939</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")	16	175,577	134,018
Trade and other receivables	17	19,130	19,337
Bank deposits	18	844,926	716,827
Other deposits	18	2,190	11,107
Bank balances and cash	18	18,281	99,306
		<u>1,060,104</u>	<u>980,595</u>
Current liabilities			
Other payables	19	41,617	29,158
Tax payable		20,289	19,296
		<u>61,906</u>	<u>48,454</u>
Net current assets		<u>998,198</u>	<u>932,141</u>
		<u>3,984,017</u>	<u>4,008,080</u>
Capital and reserves			
Share capital	20	178,216	178,216
Reserves		3,701,488	3,722,857
Equity attributable to owners of the Company		<u>3,879,704</u>	<u>3,901,073</u>
Non-current liabilities			
Long-term tenants' deposits received		15,319	21,687
Deferred tax liabilities	21	87,667	84,599
Provision for long service payments	22	1,327	721
		<u>104,313</u>	<u>107,007</u>
		<u>3,984,017</u>	<u>4,008,080</u>

The consolidated financial statements on pages 69 to 115 were approved and authorised for issue by the Board of Directors on 25 June 2024 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Lu Wing Man, Melissa
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2024

	Share capital <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 2022	178,216	474,707	3,375,213	4,028,136
Loss for the year	–	–	(188,289)	(188,289)
Revaluation surplus on transfer of owned properties to investment properties	–	93,626	–	93,626
Total comprehensive income (expense) for the year	–	93,626	(188,289)	(94,663)
Dividends appropriation (<i>note 12</i>)	–	–	(32,400)	(32,400)
At 31 March 2023	178,216	568,333	3,154,524	3,901,073
Loss for the year	–	–	(122,649)	(122,649)
Revaluation surplus on transfer of owned properties to investment properties	–	123,555	–	123,555
Total comprehensive income (expense) for the year	–	123,555	(122,649)	906
Dividends appropriation (<i>note 12</i>)	–	–	(22,275)	(22,275)
At 31 March 2024	178,216	691,888	3,009,600	3,879,704

Consolidated Statement of Cash Flows

For the year ended 31 March 2024

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Operating activities		
Loss before taxation	(109,770)	(175,293)
Adjustments for:		
Unrealised loss on financial assets at FVTPL	3,051	15,036
Decrease in fair value of investment properties	206,756	211,840
Addition of provision for long service payments	820	473
Depreciation of property, plant and equipment	23,699	25,824
Impairment loss on trade and other receivables under ECL model	178	1,414
Loss on disposals of property, plant and equipment	1	–
	<hr/>	<hr/>
Operating cash flows before movements in working capital	124,735	79,294
Decrease (increase) in trade and other receivables	29	(1,302)
(Increase) decrease in financial assets at FVTPL	(44,610)	183,484
Increase (decrease) in other payables and long-term tenants' deposits received	6,151	(337)
Long service payments utilised	(214)	(443)
	<hr/>	<hr/>
Cash generated from operations	86,091	260,696
Income tax paid	(8,818)	(5,095)
	<hr/>	<hr/>
Net cash from operating activities	77,273	255,601
	<hr/>	<hr/>
Investing activities		
Withdrawal of bank deposits	5,371,923	3,685,562
Placement of bank deposits	(5,500,022)	(3,987,851)
Withdrawal of other deposits	28,464	224,145
Placement of other deposits	(19,547)	(174,183)
Additions of investment properties	(1,920)	–
Purchase of property, plant and equipment	(14,969)	(10,893)
Proceeds from disposals of property, plant and equipment	1	–
	<hr/>	<hr/>
Net cash used in investing activities	(136,070)	(263,220)
	<hr/>	<hr/>
Cash used in a financing activity		
Dividends paid	(22,228)	(32,242)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(81,025)	(39,861)
Cash and cash equivalents at beginning of the year	99,306	139,167
	<hr/>	<hr/>
Cash and cash equivalents at end of the year, represented by bank balances and cash	18,281	99,306
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

1. GENERAL INFORMATION

Safety Godown Company, Limited (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”). Its ultimate controlling party is Ms. Chan Koon Fung, who is also director of some of the Company’s subsidiaries. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate Information” in the annual report.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in investment holding, treasury investment, properties investment and operation of a public godown. The principal activities of its principal subsidiaries are set out in note 30.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2023 for the preparation of the consolidated financial statements:

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

2.1 *Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”*

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year had no material impact on the consolidated financial statements.

2.2 *Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of Financial Statements is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 Making Materiality Judgements (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies in the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ²
Amendments to HKAS 21	Lack of Exchangeability ³

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

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

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 “Share-based Payment”, leasing transactions that are accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equal the transaction price.

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 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue from contracts with customers

The Group 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.

Investment properties

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

Investment properties also include leased properties which are being recognised as right-of-use assets and subleased by the Group under operating leases.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair value adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than construction in progress as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Ownership interests in leasehold land and building

When the Group makes payments for ownership interests of properties which include both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the property revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of assets other than property, plant and equipment under construction 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.

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.

Impairment on property, plant and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment 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 relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment is estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs of disposal 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment not held for trading.

(i) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, bank and other deposits and bank balances) which are subject to impairment assessment under HKFRS 9 "Financial Instruments". The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

The Group always recognises lifetime ECL for trade receivables and deferred lease receivables. For all other instruments, the Group measures the loss allowance equal to 12-month ECL ("12m ECL"), unless when there has been a significant increase in credit risk since initial recognition, in which cases the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

The Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Financial liabilities at amortised cost

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

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. 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 recognised 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.

Taxation

Income tax expense 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 loss before taxation because of income or expense that are taxable or deductible in other years and 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, 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 objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred taxes are recognised in profit or loss.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within “investment properties”.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Rental income which are derived from the Group's ordinary course of business are presented as revenue.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

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.

The amount recognised as a provision is 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).

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, and annual leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

4. CRITICAL ACCOUNTING JUDGMENT 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 underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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 judgment in applying accounting policies

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

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company 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 determining the Group's deferred taxation on investment properties, the directors of the Company 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. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

4. CRITICAL ACCOUNTING JUDGMENT 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 may 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\$2,812,400,000 (2023: HK\$2,854,500,000) based on the valuations performed by independent qualified professional valuers. The determination of the fair value involves certain assumptions of market conditions and significant unobservable inputs which are set out in note 14.

In relying on those valuation reports, the directors of the Company have exercised their judgments and are satisfied that the methods of valuations, assumptions and key inputs are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

b. *Depreciation on property, plant and equipment*

In determining the estimated useful lives of the property, plant and equipment, the Group's management makes reference to the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Any changes to the estimated useful lives of the property, plant and equipment may cause a material adjustment to the carrying amount and the depreciation charge within the next financial year.

At 31 March 2024, the carrying amount of the property, plant and equipment is HK\$173,419,000 (2023: HK\$221,439,000). Details of the movements are disclosed in note 15.

c. *Fair value measurements of financial instruments*

As at 31 March 2024, certain of the Group's financial assets at FVTPL amounting to HK\$8,351,000 (2023: HK\$8,009,000) are measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 27c for further disclosures.

d. *Provision of ECL for trade receivables*

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in note 27b.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

5. REVENUE

The amount represents the following revenue recognised during the year:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Income from godown operations (<i>note a</i>)	17,284	20,232
Income from property investment (<i>note b</i>)	111,811	101,644
Dividend income from listed and unlisted investments	3,275	4,005
Bank interest income	43,199	20,039
Other interest income	1,623	1,433
	<u>177,192</u>	<u>147,353</u>

Notes:

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Income from godown operations		
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	1,101	1,864
Transportation and other income (recognised at a point in time)	1,371	1,042
Storage service income (recognised over time)	14,812	17,326
	<u>17,284</u>	<u>20,232</u>
Geographical market:		
Hong Kong	<u>17,284</u>	<u>20,232</u>

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

5. REVENUE (Continued)

Notes: (Continued)

(b) Leases

	2024 HK\$'000	2023 HK\$'000
For operating leases:		
Lease payments that are fixed income from property investment	<u>111,811</u>	<u>101,644</u>

6. 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, being one of the executive directors 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

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

For the year ended 31 March 2024

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Segment revenue	<u>17,284</u>	<u>111,811</u>	<u>48,097</u>	<u>177,192</u>
Segment (loss) profit	<u>(2,042)</u>	<u>(144,378)</u>	<u>44,253</u>	<u>(102,167)</u>
Central administrative costs				<u>(7,603)</u>
Loss before taxation				<u>(109,770)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2024 (Continued)

	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	152,349	2,847,607	1,026,884	4,026,840
Bank balances and cash				18,281
Unallocated other assets				802
Consolidated total assets				<u>4,045,923</u>
<i>Liabilities</i>				
Segment liabilities	2,541	43,338	2,060	47,939
Tax payable				20,289
Deferred tax liabilities				87,667
Unallocated other liabilities				10,324
Consolidated total liabilities				<u>166,219</u>
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	991	15,699	199	16,889
Depreciation of property, plant and equipment	18,778	4,794	127	23,699
Fair value loss on financial assets at FVTPL	–	–	2,745	2,745
Impairment loss on trade receivables	79	–	–	79

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2023

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	20,232	101,644	25,477	147,353
Segment profit (loss)	729	(149,449)	(17,830)	(166,550)
Central administrative costs				(8,743)
Loss before taxation				(175,293)
	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	196,341	2,893,953	865,823	3,956,117
Bank balances and cash				99,306
Unallocated other assets				1,111
Consolidated total assets				4,056,534
<i>Liabilities</i>				
Segment liabilities	2,314	39,974	104	42,392
Tax payable				19,296
Deferred tax liabilities				84,599
Unallocated other liabilities				9,174
Consolidated total liabilities				155,461
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	2,844	7,995	54	10,893
Depreciation of property, plant and equipment	22,972	2,742	110	25,824
Fair value loss on financial assets at FVTPL	–	–	41,453	41,453
Impairment loss on trade receivables	–	1,414	–	1,414

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

6. SEGMENT INFORMATION (Continued)

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 central administrative costs, which include directors' emoluments, other expenses that are not directly related to the core business and income tax expenses. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and performance assessment.

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 bank balances and cash; 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

None of the corresponding revenue from customers contribute over 10% of the total revenue of the Group for the years ended 31 March 2024 and 2023.

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 5.

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

7. OTHER INCOME

During the year ended 31 March 2023, the Group recognised HK\$814,800 in respect of COVID-19 subsidy, which relates to Employment Support Scheme provided by the Hong Kong Government.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable during the year to each of the seven (2023: five) directors were as follows:

	Executive directors		Non-executive director	Independent non-executive directors				Total HK\$'000
	Lu	Lu	Lee	Lam	Leung	Wong	Oen	
	Wing Yee, Wayne HK\$'000	Wing Man, Melissa HK\$'000 (Note i)	Ka Sze, Carmelo HK\$'000	Ming Leung HK\$'000	Man Chiu, Lawrence HK\$'000	Wilkie HK\$'000 (Note i)	Li Lin HK\$'000 (Note ii)	
2024								
Fees	67	10	297	297	333	60	158	1,222
Salaries and allowance	-	1,462	-	-	-	-	-	1,462
Retirement benefits scheme contributions	18	14	-	-	-	-	-	32
Total emoluments	<u>85</u>	<u>1,486</u>	<u>297</u>	<u>297</u>	<u>333</u>	<u>60</u>	<u>158</u>	<u>2,716</u>

Notes:

- (i) Ms. Lu Wing Man, Melissa and Mr. Wong Wilkie were appointed on 12 December 2023.
- (ii) Ms. Oen Li Lin resigned on 4 September 2023.

	Executive director	Non-executive director	Independent non-executive directors			Total HK\$'000
	Lu	Lee	Lam	Leung	Oen	
	Wing Yee, Wayne HK\$'000	Ka Sze, Carmelo HK\$'000	Ming Leung HK\$'000	Man Chiu, Lawrence HK\$'000	Li Lin HK\$'000	
2023						
Fees	167	285	285	320	411	1,468
Retirement benefits scheme contributions	18	-	-	-	-	18
Total emoluments	<u>185</u>	<u>285</u>	<u>285</u>	<u>320</u>	<u>411</u>	<u>1,486</u>

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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

The position of the Chief Executive Officer of the Company has been vacant and has not been filled up as at the date of this report.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2023: nil) director, detail of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2023: five) highest paid employees who are neither director nor chief executive of the Company are as follow:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Salaries and other benefits	4,073	4,581
Discretionary bonus	525	161
Retirement benefits scheme contributions	36	49
	<u>4,634</u>	<u>4,791</u>

The emoluments of the individuals were within the following bands:

	2024 <i>Number of employees</i>	2023 <i>Number of employees</i>
Nil to HK\$1,000,000	–	3
HK\$1,000,001 to HK\$1,500,000	4	2
	<u>4</u>	<u>2</u>

10. LOSS BEFORE TAXATION

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,247	1,223
– non-audit services	595	663
Gross rental income from investment properties	(111,811)	(101,644)
Less: direct operating expenses for investment properties		
that generated rental income during the year	19,571	11,873
direct operating expenses for investment properties that did not generate rental income during the year	925	583
Net rental income	(91,315)	(89,188)
Fair value loss on financial assets at FVTPL (<i>note</i>)	2,745	41,453
	<u>2,745</u>	<u>41,453</u>

Note: Amount included in other gains and losses.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

11. TAXATION

	2024 HK\$'000	2023 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	9,930	8,225
Overprovision in prior years	(119)	(166)
	<u>9,811</u>	<u>8,059</u>
Deferred taxation (<i>note 21</i>)		
Current year	3,068	4,937
	<u>12,879</u>	<u>12,996</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

	2024 HK\$'000	2023 HK\$'000
Loss before taxation	<u>(109,770)</u>	<u>(175,293)</u>
Tax credit at the domestic income tax rate of 16.5% (2023: 16.5%)	(18,112)	(28,923)
Tax effect of expenses not deductible for tax purpose	36,137	40,606
Tax effect of income not taxable for tax purpose	(7,904)	(4,138)
Tax effect of tax losses not recognised	3,002	5,432
Tax effect of utilisation of tax losses previously not recognised	(241)	(132)
Overprovision in prior years	(119)	(166)
Others	116	317
	<u>12,879</u>	<u>12,996</u>
Taxation for the year	<u>12,879</u>	<u>12,996</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

12. DIVIDENDS

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Interim dividend appropriation/paid in respect of 2024 – HK2.5 cents (2023: HK2 cents) per ordinary share	10,125	8,100
Final dividend appropriation/paid in respect of 2023 – HK3 cents (2022: HK6 cents) per ordinary share	<u>12,150</u>	<u>24,300</u>
	<u><u>22,275</u></u>	<u><u>32,400</u></u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 March 2024 of HK4.5 (2023: HK3) cents per share, in aggregate amounting to HK\$18,225,000 (2023: HK\$12,150,000) has been proposed by the directors of the Company and is subject to the approval by shareholders in the forthcoming annual general meeting.

13. LOSS PER SHARE – BASIC

The calculation of basic loss per share is based on loss for the year attributable to owners of the Company of HK\$122,649,000 (2023: HK\$188,289,000) and on 405,000,000 (2023: 405,000,000) shares in issue throughout both years.

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

14. INVESTMENT PROPERTIES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
AT FAIR VALUE		
At beginning of the year	2,854,500	2,966,340
Additions	1,920	–
Transfer from property, plant and equipment	162,736	100,000
Decrease in fair value recognised in profit or loss	<u>(206,756)</u>	<u>(211,840)</u>
At end of the year	<u><u>2,812,400</u></u>	<u><u>2,854,500</u></u>

The Group leases out various offices and godown premises under operating leases with rentals receivable monthly. The leases typically run for an initial period of one to six years (2023: one to five years), with unilateral rights to extend the lease beyond the initial period given to lessees only. A majority of the lease contracts contain market review clauses in the event the lessee exercises the option to extend.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

14. INVESTMENT PROPERTIES (Continued)

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

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

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

During the year, some owned-properties and leasehold lands, and some construction in progress have transferred from property, plant and equipment to investment properties as the Group had rented out the properties and the lands to independent third parties to earn rentals and/or for capital appreciation. The fair value at the date of transfer amounting to HK\$162,736,000 (2023: HK\$100,000,000) had been arrived at on the basis of valuation carried out by Colliers International (Hong Kong) Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value of those owned-properties and leasehold lands over their carrying amounts at the date of transfer amounting to HK\$123,555,000 (2023: HK\$93,626,000) is recognised in property revaluation reserve.

The fair values of the Group's investment properties as at 31 March 2024 amounting to HK\$2,812,400,000 (2023: HK\$2,854,500,000) have been arrived at on the basis of valuations carried out on that date by Colliers International (Hong Kong) Limited, Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Colliers International (Hong Kong) Limited, Chartered Surveyors, who carried out the valuations, are members of the Hong Kong Institute of Surveyors. The fair values of the investment properties were determined based on the income approach and market comparison approach, where appropriate. For income approach, the valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates. For market comparison approach, the valuations were arrived at by reference to the comparable sale transactions as available in the relevant market. Market comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The revaluation gave rise to a loss arising from changes in fair value of HK\$206,756,000 (2023: HK\$211,840,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

14. INVESTMENT PROPERTIES (Continued)

The following table gives information about how the fair values of the major investment properties are determined (in particular, the valuation techniques and key inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Investment properties held by the Group in the consolidated statement of financial position	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
	2024 HK\$'000	2023 HK\$'000					
Industrial/office property in Kwun Tong – Lu Plaza	2,032,000	2,181,000	Level 3	Income capitalisation approach:	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.65% (2023: 4.3%).	The higher the capitalisation rate, the lower the fair value, and vice versa.	Note (a)
				The key inputs are:			
				(i) capitalisation rate			
				(ii) market unit rent	Market unit rent, taking into account direct market comparables of the property.	The higher the market unit rent, the higher the fair value, and vice versa.	Note (b)
Industrial/godown premises in Kwai Chung – Safety Godown	687,800	596,800	Level 3	Income capitalisation approach:	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4.4% (2023: 4.1%).	The higher the capitalisation rate, the lower the fair value, and vice versa.	Note (a)
				The key inputs are:			
				(i) capitalisation rate			
				(ii) market unit rent	Market unit rent, taking into account direct market comparables of the property.	The higher the market unit rent, the higher the fair value, and vice versa.	Note (b)

Notes:

- (a) A slight increase or decrease in the capitalisation rate would result in a significant decrease or increase in fair value and vice versa.
- (b) A significant increase or decrease in the market unit rent would result in a significant increase or decrease in fair value and vice versa.

There were no transfers into or out of Level 3 during both years.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets – leasehold lands <i>HK\$'000</i>	Owned properties <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2022	151,642	162,865	63,384	1,145	11,362	390,398
Additions	–	–	7,891	–	3,002	10,893
Reclassification	–	–	2,170	–	(2,170)	–
Transfer to investment properties	(7,300)	(13,200)	–	–	–	(20,500)
At 31 March 2023	144,342	149,665	73,445	1,145	12,194	380,791
Additions	–	–	5,333	–	9,636	14,969
Reclassification	–	–	682	–	(682)	–
Transfer to investment properties	(30,300)	(26,800)	–	–	(9,836)	(66,936)
Disposal/written off	–	–	(857)	–	–	(857)
At 31 March 2024	114,042	122,865	78,603	1,145	11,312	327,967
DEPRECIATION						
At 1 April 2022	26,587	86,494	33,428	1,145	–	147,654
Provided for the year	4,989	10,974	9,861	–	–	25,824
Transfer to investment properties	(2,458)	(11,668)	–	–	–	(14,126)
At 31 March 2023	29,118	85,800	43,289	1,145	–	159,352
Provided for the year	3,885	8,449	11,365	–	–	23,699
Transfer to investment properties	(6,793)	(20,962)	–	–	–	(27,755)
Eliminated on disposal/written off	–	–	(748)	–	–	(748)
At 31 March 2024	26,210	73,287	53,906	1,145	–	154,548
CARRYING AMOUNTS						
At 31 March 2024	87,832	49,578	24,697	–	11,312	173,419
At 31 March 2023	115,224	63,865	30,156	–	12,194	221,439

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For the year ended 31 March 2024

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, except for construction in progress after taking account the residual values, are depreciated to write off the cost over the estimated useful lives on a straight-line basis at the following rates per annum:

Right-of-use assets – leasehold lands	The unexpired term of the land lease
Owned properties	Shorter of the useful life of the buildings or the unexpired term of the land lease (3% to 7% per annum)
Leasehold improvements, furniture, fixtures and equipment	10% to 25% per annum
Motor vehicles	25% per annum

During the year, the Group's construction in progress amounted to HK\$9,836,000 (2023: nil) and owned properties and leasehold lands, with net carrying amount of HK\$29,345,000 (2023: HK\$6,374,000) were transferred to investment properties upon the end of owner-occupation and commencement of operating leases to the independent third parties. Fair values of the owner-occupied properties at the date of transfer amounted to HK\$162,736,000 (2023: HK\$100,000,000), a surplus on revaluation of HK\$123,555,000 (2023: HK\$93,626,000) was credited to property revaluation reserve.

The Group owns several godown premises, where its godown facilities are primarily located. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

At 31 March 2024, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK\$24,930,000 (2023: HK\$18,864,000).

16. FINANCIAL ASSETS AT FVTPL

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Equity investments, at fair value:		
Listed in:		
Hong Kong	66,191	71,095
Unlisted, investment funds at fair value	25,065	23,375
Unlisted, debt instruments at fair value	84,321	39,548
	<u>175,577</u>	<u>134,018</u>

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17. TRADE AND OTHER RECEIVABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Trade receivables	8,916	7,736
Less: allowance for credit losses	<u>(3,843)</u>	<u>(3,764)</u>
	5,073	3,972
Other receivables, net of allowance for credit loss	6,107	5,181
Deferred lease receivables	6,262	8,508
Prepayments	474	978
Deposits	<u>1,214</u>	<u>698</u>
	<u><u>19,130</u></u>	<u><u>19,337</u></u>

Trade receivables included lease receivables and trade receivables from contracts with customers. As at 31 March 2024 and 2023 and 1 April 2022, trade receivables from contracts with customers amounted to HK\$2,421,000, HK\$2,841,000, HK\$3,589,000, respectively.

The following is an ageing analysis of trade receivables (net of allowance for credit losses) of the Group presented based on the billing date:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Within 60 days	4,624	3,284
61 – 90 days	215	518
Over 90 days	<u>234</u>	<u>170</u>
	<u><u>5,073</u></u>	<u><u>3,972</u></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 on presentation of invoices.

As at 31 March 2024, included in the Group's trade receivables balance (net of allowance for credit losses) are debtors with aggregate carrying amount of HK\$608,000 (2023: HK\$1,019,000) which are past due as at the reporting date. In the opinion of the directors of the Company, the trade receivables which are past due but not credit-impaired are considered to be collectable based on historical experience and related repayment history. 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 Group's management.

Details of impairment assessment of trade and other receivables are set out in note 27b.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

The bank deposits are designated for treasury investment purpose.

Bank deposits are carrying fixed interest rate ranging from 2.20% to 5.59% (2023: 0.01% to 5.39%) per annum.

Other deposits represent deposits with security brokers which are carrying variable interest rate ranging from 0.719% to 0.875% (2023: from 0.001% to 0.625%) per annum.

The bank balances carry prevailing market interest rates.

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

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Bank deposits, other deposits and bank balances and cash denominated in:		
US\$	743,060	625,472
Swiss France ("CHF")	2	–
EURO ("EUR")	–	455
	<u>743,062</u>	<u>625,927</u>

Details of impairment assessment of bank deposits, other deposits and bank balances are set out in note 27b.

19. OTHER PAYABLES

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Tenants' deposits	22,381	13,701
Receipts in advance	2,049	2,993
Dividend payable	6,331	6,284
Salary and bonus payable	3,161	1,473
Accruals	3,865	1,848
Others	3,830	2,859
	<u>41,617</u>	<u>29,158</u>

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For the year ended 31 March 2024

20. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2022, 31 March 2023 and 31 March 2024	405,000	178,216

21. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2022	80,760	(1,098)	79,662
Charge (credit) to profit or loss	5,298	(361)	4,937
At 31 March 2023	86,058	(1,459)	84,599
Charge to profit or loss	1,703	1,365	3,068
At 31 March 2024	87,761	(94)	87,667

For the purpose of presentation in the consolidated statement of financial position, the above deferred tax assets and liabilities arising from the same taxable entity by the same taxation authority have been offset.

At 31 March 2024, the Group has estimated unused tax losses of HK\$173,545,000 (2023: HK\$163,632,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$570,000 (2023: HK\$8,848,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$172,975,000 (2023: HK\$154,784,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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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:

	2024 HK\$'000	2023 HK\$'000
Balance brought forward	721	691
Addition	820	473
Utilisation during the year	(214)	(443)
Balance carried forward	<u>1,327</u>	<u>721</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\$510,000 (2023: HK\$491,000).

23. RECONCILIATION OF LIABILITIES ARISING FROM A FINANCING ACTIVITY

The table below details changes in the Group's liabilities arising from a financing activity, including both cash and non-cash changes. Liabilities arising from a financing activity are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from a financing activity.

	Dividend payable (included in other payables) HK\$'000
At 1 April 2022	6,126
Non-cash changes – Dividends declared (<i>note 12</i>)	32,400
Changes from financing cash flows – Dividends paid	<u>(32,242)</u>
At 31 March 2023	6,284
Non-cash changes – Dividends declared (<i>note 12</i>)	22,275
Changes from financing cash flows – Dividends paid	<u>(22,228)</u>
At 31 March 2024	<u>6,331</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

24. OPERATING LEASES

The Group as lessor

Property rental income earned during the year is HK\$111,811,000 (2023: HK\$101,644,000). The properties held for rental purpose have committed leases for the next 1 month to 6 years (2023: one month to four years).

Undiscounted lease payments receivable on leases are as follows:

	2024 HK\$'000	2023 HK\$'000
Within one year	81,141	99,686
In the second year	43,160	57,760
In the third year	11,454	21,334
In the fourth year	4,225	2,393
In the fifth year	4,225	–
After five years	4,647	–
	<u>148,852</u>	<u>181,173</u>

25. RELATED PARTY DISCLOSURES

During the year ended 31 March 2024, the Group received rental amounted to HK\$483,000 (2023: nil) from a company which is controlled by Ms. Chan Koon Fung (“Ms. Chan”) (spouse of the late Chairman Mr. Lu Sin), and Mr. Lu Wing Yee, Wayne (“Mr. Lu”) and Ms. Lu Wing Man, Melissa, executive directors of the Company. During the year ended 31 March 2023, the Group and the Company received a reimbursement of expenses amounting to HK\$240,000 from a company which is controlled by Ms. Chan and Mr. Lu. 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.

Details of the executive director’s remuneration representing key management personnel of the Group, are disclosed in note 8. The remuneration of directors is determined by the Remuneration and Nomination Committee, having regard to the performance of the individuals and market trends.

The amounts due from/to subsidiaries are disclosed in the Company’s statement of financial position in note 29.

26. 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 property revaluation reserve.

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

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27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	877,791	837,091
Financial assets at FVTPL	<u>175,577</u>	<u>134,018</u>
Financial liabilities		
Amortised cost	<u>51,022</u>	<u>46,004</u>

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and certain other receivables, bank and other deposits, bank balances and cash, financial assets at FVTPL, certain other payables and long-term tenants' deposits received. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The Group's management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

Certain bank balances, bank and other deposits and financial assets at FVTPL 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 Group's 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:

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
US\$	852,445	688,395
CHF	2	–
EUR	<u>–</u>	<u>455</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

The HK\$ is pegged to US\$ and the Group's management is of the opinion that the foreign exchange risk of the financial instruments denominated in US\$ is insignificant.

The following table details the Group's sensitivity to a 5% (2023: 5%) rate increase or decrease in HK\$ against CHF and EUR. 5% (2023: 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% (2023: 5%) change in foreign currency rates. A positive number below indicates an increase in loss for the year where HK\$ weakened 5% (2023: 5%) against the relevant currencies. For a 5% (2023: 5%) strengthening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the loss for the year, and the balances below would be negative.

	2024 HK\$'000	2023 HK\$'000
EUR	-	19

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk mainly in relation to bank deposits (see note 18 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate other deposits and bank balances (see note 18 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on other deposits and bank balances.

The Group's management monitors the cash flow interest rate risk exposures and will take appropriate action should the need arise.

Other deposits and bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from variable-rate other deposits and bank balances is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its financial assets at FVTPL. The Group's management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. In addition, the Group also invested in certain unlisted investment funds with underlying equity instruments. The Group has appointed a special team of personnel to monitor the price risk and will consider hedging the risk exposure should the need arise.

The sensitivity analyses below have been determined based on the exposure to equity price risk at the end of the reporting date. 10% (2023: 10%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in equity price on investments.

If the prices of the equity instruments had been 10% (2023: 10%) higher/lower, the Group's loss for the year ended 31 March 2024 would decrease/increase by HK\$7,454,000 (2023: HK\$7,910,000) as a result of the changes in fair value of financial assets at FVTPL.

Credit risk and impairment assessment

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 credit risk is primarily attributable to its bank and other deposits, bank balances, trade and other receivables, deferred lease receivables and unlisted debt instruments at FVTPL.

Except for unlisted debt instruments at FVTPL, the Group performed impairment assessment for financial assets and other item under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised below:

Unlisted debt instruments at FVTPL

The Group invests in debt securities with credit ratings of Baa3 or above. The management regularly reviews and monitors the portfolio of debt securities. Details of these investments are disclosed in note 16.

Bank deposits, other deposits and bank balances

The credit risk on the Group's bank and other deposits and bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The Group assessed 12m ECL for bank and other deposits and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank and other deposits and bank balances is considered to be insignificant and therefore no loss allowance was recognised.

Notes to the Consolidated Financial Statements

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27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and deferred lease receivables

The Group has concentration of credit risk as 23.6% and 9.0% (2023: no concentration of credit risk and 11.4%) of total trade receivables and total deferred lease receivables respectively was due from the Group's largest customer including tenants.

In order to minimise the credit risk, the Group's management has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, except for debtors with significant outstanding balances or credit-impaired assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables and deferred lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables and deposits

The credit risk on the Group's other receivables and deposits is limited except for credit-impaired other receivable on which loss allowance of HK\$1,691,000 (2023: HK\$1,592,000) has been provided, as the counterparties do not have any past due amounts and have low risk based on internal credit risk grading assessment.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables and deferred lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Notes to the Consolidated Financial Statements

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27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating		Internal credit rating		12m or lifetime ECL		Gross carrying amount	
		2024	2023	2024	2023	2024	2023	2024	2023
								HK\$'000	HK\$'000
Financial assets at amortised cost									
Trade receivables	17	N/A	N/A	Low risk	Low risk	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)	4,466	3,284
		N/A	N/A	Watch list	Watch list	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)	607	688
		N/A	N/A	Loss	Loss	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)	3,843	3,764
Other receivables and deposits	17	N/A	N/A	Low risk	Low risk	12m ECL	12m ECL	7,321	5,879
		N/A	N/A	Loss	Loss	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)	1,691	1,592
Bank deposits	18	A1 – Aa2	A1 – Aa3	N/A	N/A	12m ECL	12m ECL	844,926	716,827
Other deposits	18	Baa3 – Aa2	Ba3 – Aa2	N/A	N/A	12m ECL	12m ECL	2,190	11,107
Bank balances	18	A1 – Aa1	A1 – Aa2	N/A	N/A	12m ECL	12m ECL	18,272	99,298
Other item									
Deferred lease receivables	17	N/A	N/A	Low risk	Low risk	Lifetime ECL	Lifetime ECL	6,262	8,508

Notes:

- For trade receivables and deferred lease receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired assessed individually, the Group determines the ECL on these items by using a provision matrix, grouped by ageing analysis.

During the years ended 31 March 2024 and 2023, no impairment allowance on trade receivables is provided based on provision matrix and assessed individually for significant outstanding balance as the amount is considered insignificant. Impairment allowance of HK\$3,843,000 (2023: HK\$3,764,000) was made on a credit-impaired debtor.

- For the purpose of internal credit risk management, the Group use past due information to assess whether credit risks have increased significantly since initial recognition for other receivables and deposits. Impairment allowance of HK\$1,691,000 (2023: HK\$1,592,000) was made on a credit-impaired debtor. The credit risk on the remaining balances is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowances are made on these balances.

Notes to the Consolidated Financial Statements

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27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL (credit-impaired) that has been recognised for trade receivables under the simplified approach and other receivables.

	Trade receivables <i>HK\$'000</i>	Other receivables <i>HK\$'000</i>
At 1 April 2022	2,350	1,592
New financial assets originated	1,414	–
At 31 March 2023	3,764	1,592
New financial assets originated	79	99
At 31 March 2024	3,843	1,691

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 by continuously monitoring forecast and actual cash flows and matching profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has 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	
	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
0 – 1 year	35,703	24,317
1 – 2 years	8,788	13,314
2 – 5 years	4,843	8,373
More than 5 years	1,688	–
Total undiscounted cash flows	51,022	46,004
Carrying amounts	51,022	46,004

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27. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

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

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	31 March 2024	2023			
	HK\$'000	HK\$'000			
Financial assets at FVTPL					
Listed equity investments	66,191	71,095	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	16,714	15,366	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	8,351	8,009	Level 3	Net assets value with reference to the net assets value of the underlying fund.	The increase in the net assets value would result in an increase in fair value.
Unlisted debt instruments	84,321	39,548	Level 2	Quoted prices in market that are not active.	N/A

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

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27. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements of financial assets:

	2024 HK\$'000	2023 HK\$'000
At the beginning of the year	8,009	9,906
Additions	–	426
Net gain (loss) in profit or loss (note)	342	(2,323)
At the end of the year	<u>8,351</u>	<u>8,009</u>

Note: Of the total gains or losses for the year included in profit or loss, gain of HK\$342,000 relate to unlisted investment funds, incurred during the current reporting year (2023: loss of HK\$2,323,000 relate to unlisted investment funds, incurred during the current reporting year). Such fair value gains or losses are included in "other gains and losses".

There were no transfers between Level 1 and 2 from/to 3 during both years.

(ii) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

28. COMMITMENTS

	2024 HK\$'000	2023 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– refurbishment of investment properties	8,028	2,545
– acquisition of property, plant and equipment	8,931	5,729
	<u>16,959</u>	<u>8,274</u>
Commitment to contribute funds for an unlisted investment fund	1,411	1,411
	<u>18,370</u>	<u>9,685</u>

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29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2024 <i>HK\$'000</i>	2023 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	265	188
Investments in subsidiaries	51,852	51,852
Amounts due from subsidiaries	696,032	635,397
	<u>748,149</u>	<u>687,437</u>
Current assets		
Other receivables	3,221	3,027
Amounts due from subsidiaries	40,088	70,427
Bank deposits	339,346	377,388
Bank balances and cash	6,064	6,486
	<u>388,719</u>	<u>457,328</u>
Current liabilities		
Other payables	9,846	8,580
Amounts due to subsidiaries	37,972	39,004
Tax payable	16,387	16,387
	<u>64,205</u>	<u>63,971</u>
Net current assets	<u>324,514</u>	<u>393,357</u>
	<u>1,072,663</u>	<u>1,080,794</u>
Capital and reserve		
Share capital	178,216	178,216
Retained profits (<i>note</i>)	894,030	902,458
	<u>1,072,246</u>	<u>1,080,674</u>
Non-current liability		
Provision for long service payments	417	120
	<u>1,072,663</u>	<u>1,080,794</u>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 25 June 2024 and is signed on its behalf by:

Lu Wing Yee, Wayne
Director

Lu Wing Man, Melissa
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

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

Note: Movement of retained profits

	Retained profits HK\$'000
At 1 April 2022	936,744
Loss and total comprehensive expense for the year	(1,886)
Dividends appropriation (note 12)	(32,400)
	<hr/>
At 31 March 2023	902,458
Profit and total comprehensive income for the year	13,847
Dividends appropriation (note 12)	(22,275)
	<hr/>
At 31 March 2024	<u>894,030</u>

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries at 31 March 2024 and 2023 are as follows:

Name of companies	Place of incorporation/ registration/ operations	Paid-up capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			2024	2023	
Cafe de Lu Plaza Limited	Hong Kong	HK\$100,000 Ordinary shares	100%	100%	Operation of business centre
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%	Securities trading
Cofine Investment Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	100%	Securities trading
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
Luck Rise Development Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	Operating mini-godown
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Securities trading
Safety Logistics Services Limited	Hong Kong	HK\$10,000,000 Ordinary shares	100%	100%	Operating godown

Notes to the Consolidated Financial Statements

For the year ended 31 March 2024

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

The above table lists the major subsidiaries of the Company which, in the opinion of the directors, principally affected 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.

None of the subsidiaries had issued any debt securities 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 2024 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, M/F, 1/F, 4/F, 5/F and Portion A on 6/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	231,000	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 191 car-parking spaces	Office
G/F, M/F, 1/F, 4/F, 5/F and Portion A on 6/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	190,000	Industrial/godown premises



安全貨倉、振萬廣場、THE LU+ 商務中心支持社會公益事務不遺餘力 Unwavering commitment and dedication of Safety Godown, Lu Plaza and THE LU+ Business Centre in supporting charitable events



支持中國基督教播道會「播道兒童之家」S.E.N. 3.0 - 綜合日間院護及支援服務。

Presenting our donation to support Evangelical Free Church of China's Evangelical Children's Home - S.E.N. 3.0 Integrated Day Care Services.



安全貨倉積極參與香港公益金之「公益慈善馬拉松 2024」慈善活動，並獲感謝狀予以表揚。

Safety Godown being awarded a Certificate of Appreciation for our active participation in The Community Chest Corporate Challenge 2024.



安全貨倉義工積極參與義工活動，藉著「中秋佳節」派送美味佳節水果及月餅予浸信會愛群社會服務處服務使用者，並一起製作湯圓及中秋燈籠。

At the Mid-Autumn Gathering event, our volunteers arranged mid-autumn delicacies (moon cake and fruits) for the underprivileged users at Baptist Oi Kwan Social Service centers. Our volunteers made sweet dumplings and Chinese lanterns together.



參與由香港華人基督教聯會廣蔭頤養院為院友舉辦之「生日會聯歡會」，並由集團助理總經理黃慧如先生代表致送支票給予支持。

Our Group's Assistant General Manager, Mr. Huang Hui Ru, presenting a cheque to support The Hong Kong Chinese Christian Churches Union's Kwong Yum Care Home at the Autumn birthday party event.



安全貨倉贊助支持「FIVB 世界女排聯賽香港 2024」賽事。

Safety Godown jointly sponsored the "FIVB Volleyball Nations League Hong Kong 2024" event.

振萬廣場 2023-2024 年度活動 The activities organized by Lu Plaza in 2023-2024



親子鼓樂坊假《振萬廣場》舉行，由著名的香港中樂團敲擊演奏家講解中國鼓樂歷史及教授「香港活力鼓令 24 式」。

The "Parent-Child Drumming Workshop" was held at Lu Plaza. Renowned Hong Kong Chinese Orchestra percussionist hosted the event and elaborated on the history of Chinese drums and taught Hong Kong Synergy 24 Drum.



《振萬廣場》2024 龍年醒獅賀歲活動。

Lu Plaza annual lion dance event welcomed the year of the Dragon (2024).



由「社創基金」與浸信會愛群社會服務處及創鋒顧問有限公司聯合主辦的第二屆「社創黑客松：跨世代合作競賽」，於《振萬廣場》THE LU+ 商務中心舉行。

The 2nd "Social Hackathon: Cross-Generational Cooperation Competition", an event jointly organized by Baptist Oi Kwan Social Service and InnoEdge Consulting and funded by the Social Innovation and Entrepreneurship Development Fund (SIE Fund), was hosted at THE LU+ Business Centre.