Annual Report 2019

安全貨倉有限公司

SAFETY GODOWN COMPANY, LIMITED

(Stock code 股份代號: 237)

福翁海鮮薈

FU WENG SEAFOOD

3/F Lu Plaza
Tel:2638 9992

Hopa House

Shop B Lu Plaza
Tel: 2623 3006

THE LOL BISTRO

Shop F/G Lu Plaza
Tel: 3997 3649

Contents

Corporate Information

DIRECTORS

Executive Director
Mr. Lu Wing Yee, Wayne

Non-executive Director
Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors
Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

COMPANY SECRETARY

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

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

Relocation on 11 July 2019:–
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.safetygodown.com

STOCK CODE

237

KEY DATES

Final Results Announcement	27 June 2019
Annual General Meeting ("AGM")	16 August 2019
Closure of Register of Members	i) 13 to 16 August 2019 (both days inclusive) (to ascertain the shareholders' entitlement to attend and vote at the AGM) ii) 26 to 29 August 2019 (both days inclusive) (to ascertain the shareholders' entitlement to the proposed final dividend and special dividend)
Record Date for Final Dividend and Special Dividend	29 August 2019
Payment of Final Dividend and Special Dividend	13 September 2019

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Lu Wing Yee, Wayne, aged 45, was appointed as an Executive Director of the Company on 12 December 2008. He joined the Group in July 2001, and prior to his appointment as Executive Director acted as a Group Manager of the Group in charge of day-to-day operation of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu holds a bachelor degree of science in business administration, a master degree 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 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 Mr. Lu Sin, the late Chairman of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, JP, aged 59, 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 a partner of Woo Kwan Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a non-executive director of two listed public companies in Hong Kong, namely CSPC Pharmaceutical Group Limited and Termbray Industries International (Holdings) Limited. Mr. Lee is also an independent non-executive director of several listed public companies in Hong Kong, namely KWG Property Holding Limited, China Pacific Insurance (Group) Co., Ltd. and Esprit Holdings Limited.

Mr. Lee was a non-executive director of Y.T. Realty Group Limited (from 30 September 2004 to February 2016), Yugang International Limited (from September 2004 to April 2019) and Hopewell Holdings Limited (from September 2004 to May 2019). Hopewell Holdings Limited was listed on the Stock Exchange of Hong Kong until 3 May 2019. Y.T. Realty Group Limited and Yugang International Limited are companies listed on The Stock Exchange of Hong Kong Limited.

Mr. Lee is a convenor and a member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong. He is also a chairman of the Appeal Tribunal Panel (Buildings) and a non-official member of the InnoHK Steering Committee.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 73, has been an Independent Non-executive Director of the Company since 1990. He is also the Chairman of HL Global Enterprises Limited (a company listed in Singapore), Director of China Yuchai International Limited (a company listed in New York) and Managing Director of Hong Leong International (Hong Kong) Limited. Mr. Gan has extensive experience in finance, property development, hotel management and international trading. Mr. Gan is the Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee of the Company.

Mr. Lam Ming Leung, aged 67, 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.

Mr. Leung Man Chiu, Lawrence, aged 71, 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 PFC Device Inc., both are listed on The Stock Exchange of Hong Kong Limited. Mr. Leung has been a Non-executive Director of World Super Holdings Limited since 26 April 2017. 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 a member of the Audit Committee and the Remuneration and Nomination Committee of the Company.

Biographical Information of Directors and Senior Management

ASSISTANT GENERAL MANAGERS

Mr. Huang Huei Ru, aged 70, joined the Group in 1976. Mr. Huang was the Chivas Godown Supervisor from 1991 to 2016.

Mr. Ng Gei, aged 71, joined the Group in 1973. Mr. Ng was appointed as an Assistant Manager in 1995. He was appointed as the Assistant to the late Chairman, Mr. Lu Sin from 1992 to 2015.

Five-Year Financial Summary

	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Turnover					
Godown operations	**24,411**	22,195	31,816	37,456	38,141
Property investment	**93,947**	85,257	79,988	108,612	111,347
Treasury investment	**23,917**	16,063	10,600	7,934	6,928
	142,275	123,515	122,404	154,002	156,416
Profit attributable to owners of the Company					
Godown operations	**8,526**	10,754	15,079	20,354	22,568
Property investment	**66,218**	58,761	58,019	82,241	90,168
Treasury investment	**(4,039)**	23,534	28,451	21,547	2,928
Gain (Loss) on disposal of property, plant and equipment	**7**	–	(9)	326,574	–
Increase in fair value of investment properties	**227,873**	412,146	187,389	431,651	508,772
Other administrative costs	**(7,778)**	(6,630)	(6,226)	(9,208)	(5,930)
Profit before taxation	**290,807**	498,565	282,703	873,159	618,506
Taxation	**(11,765)**	(27,352)	(13,073)	(27,440)	(19,236)
Profit for the year attributable to owners of the Company	**279,042**	471,213	269,630	845,719	599,270
Core earnings	**51,162**	59,067	82,250	87,494	90,498
Consolidated Statement of Financial Position					
Total assets	**5,022,118**	4,699,817	4,330,794	4,650,603	3,692,256
Total liabilities	**(135,009)**	(126,271)	(133,753)	(122,091)	(105,154)
Equity attributable to owners of the Company	**4,887,109**	4,573,546	4,197,041	4,528,512	3,587,102
Per Share					
Earnings per share	**HK$2.07**	HK$3.49	HK$2.00	HK$6.26	HK$4.44
Core earnings per share *(Note 1)*	**HK$0.38**	HK$0.44	HK$0.61	HK$0.65	HK$0.67
Dividends per share	**HK$ 1.28**	56 cents	HK$1.30	HK$4.22	85 cents
Dividend payout ratio *(Note 2)*	**337.70%**	127.99%	213.40%	76.76%	126.80%
Net asset value per share	**HK$36.20**	HK$33.88	HK$31.09	HK$33.54	HK$26.57
Ratios					
Return on average shareholder's funds	**5.90%**	10.74%	6.18%	20.84%	18.09%
Current ratio	**22.34:1**	28.75:1	18.80:1	32.62:1	13.17:1
Gearing ratio *(Note 3)*	**–**	–	–	–	–
P/E ratio *(Note 4)*	**6.72**	5.01	9.37	3.02	2.75

Notes:

1. Core earnings per share is calculated based on profit for the year attributable to shareholders after adjusting the effect on unrealised fair value changes in investment properties and gain (loss) on disposal of property, plant and equipment.

2. The dividend payout ratio is calculated based on the total dividend distribution including the interim dividend paid and final dividend and special dividend proposed for the year and the profit for the year attributable to shareholders after adjusting the effect on unrealised fair value changes in investment properties.

3. 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.

4. Based on closing price as at 31 March for each year.

Executive Director's Statement

I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019.

DIVIDENDS

The Board of Directors has resolved to recommend a final dividend of HK12 cents (2018: HK28 cents) per share, amounting to HK$16,200,000 and a special dividend of HK88 cents (2018: HK$Nil) per share, amounting to HK$118,800,000 for the year ended 31 March 2019, to shareholders whose names appear on the register of members of the Company on 29 August 2019 subject to the approval of shareholders at the forthcoming annual general meeting. The proposed final dividend and special dividend will be despatched to shareholders on 13 September 2019. Together with the interim dividend of HK28 cents per share already paid, the total distribution for the year will be HK$1.28 per share (2018: HK56 cents per share).

BUSINESS INTRODUCTION

The Group was founded by the late Chairman Mr. Lu Sin, with the business mission of contributing to the society and serving the business community. The Group is a Chinese company established in Hong Kong with a long history of nearly 60 years.

The Group's godown which is located at 132-140 Kwok Shui Road, Kwai Chung, New Territories has 12 storeys with a total gross floor area of approximately 400,000 sq.ft. and a ceiling height ranging from 13ft to 24ft. The godown is designed with designated docks enabling the simultaneous loading and unloading of cargoes for a number of 40ft container trucks, and equipped with heavy-duty racks and hydraulic elevators. It has also been equipped with mechanical ventilation, fire services, security and IT system. Serviced by experienced, well-trained, and customer-oriented staff, the Group provides rapid, safe and efficient warehousing and logistics services. The godown is strategically situated at a prime location that is close to the Kwai Chung Container Terminal, connected with the trunk expressway linking Mainland China and just several minutes ride away from the Hong Kong International Airport, offering an ideal option of cargo storage for the customers.

The intense business competition faced by Hong Kong warehousing segment, coupled with the gradual shrinkage in the traditional warehousing business and weakened demands for paper, plastics and other traditional industrial materials around the world had led to a declining trend in the volume of cargo storage and revenue of the Group's godown operations in the past six months. However, the Group strived to maintain its competitive strengths through continuous upgrading of godown facilities and enhancement of service quality, and had managed to turn around the decreasing trend in the income from the godown operations during the year, whilst the overall operating results stabilized.

In light of the growing trend towards automation of warehousing and logistics management, the Group intends to develop our godown business to become a logistics service provider that provides one-stop services covering cargo handling, warehousing, sorting and distribution so as to cater to various customer needs. The Group will continue to make investments to upgrade software and hardware facilities to accommodate market development needs. Safety Logistics Services Limited has successfully obtained the quality management system (ISO9001:2015 international standard) certification in April 2019 in a bid to provide better services for the customers in the long run and transform from traditional industrial materials warehousing service to godown and logistics operations mainly focusing on local consumer product customers including retailers and wholesalers so as to improve its profitability. In addition, some areas of the godown premises have been leased to well-known local firms, which could provide steady rental income for the Group.

As our major investment properties, Lu Plaza, located at 2 Wing Yip Street, Kwun Tong, East Kowloon, is a premium commercial complex comprising 21 storeys with a total gross floor area of 430,000 sq. ft. The ground floor and Level 3 are areas for retail shops, business center and restaurants and Levels 1 and 2 are used car parking spaces. The Levels 4 to 20 are office space, with a leasable area from 1,155 sq.ft. to the whole floor of 23,318 sq.ft., offering a green and comfortable working environment for the tenants. Boasting with the Victoria Harbour view, Lu Plaza is in the vicinity of the huge Kai Tak Development area which comprises state-of-the-art commercial and residential properties, hotels and tourists attraction projects as well as the developments of the Kai Tak Cruise Terminal and Kung Tong Promenade. As a number of Grade A commercial buildings nearby are gradually completed, it should attract a great number of multi-national enterprises, banks, restaurants, retailers so as to create a new core business district, which will further improve the commercial prospects of Lu Plaza.

Executive Director’s Statement

The revitalization work of Lu Plaza which had completed in 2017 furnishes with a new look. The Group is making every effort to attract more quality tenants. Currently, three restaurants have moved in the Lu Plaza to provide Chinese and Western catering services.

Lu Plaza provides frequent shuttle bus service to and from Lam Tin MTR Station and Kwun Tong MTR Station is within walking distance from the Lu Plaza. Lu Plaza is well situated at a transportation hub which is close to the Kwun Tong Bypass, bus stations, Kwun Tong Ferry Pier and Eastern Harbour Crossing Tunnel.

Lu Plaza currently maintains an occupancy of approximately 85%. The Group will continue to leverage on its competitive advantages to enhance the overall rental rates in the long run.

BUSINESS REVIEW

During the period under review, the profit attributable to owners of the Company was HK$279,042,000. The core earnings based on profit for the year attributable to shareholders after adjusting the effect of unrealised fair value changes in investment properties and the gain on disposal of property, plant and equipment was HK$51,162,000, being HK$7,905,000 less than that of previous year (2018: HK$59,067,000), which was mainly attributable to the loss arising from the treasury investment due to volatile fluctuations in the stock markets, offsetting the increase in the property investment and godown operations income.

Godown operations: Last year, our godown operations faced significant challenges. In the past six months, the cargo volume of paper, plastics, textiles and other traditional industrial materials accounting for a significant portion of the Group’s godown operations decreased because of the gradual shrinkage of the traditional industries together with decreased demand for traditional industrial materials from the Mainland China and other adjacent countries. The abovementioned facts have an adverse impact on the warehousing demands. As the Group strived to improve its competitive strengths this year, the storage volume increased from approximate 18,000 cubic meters at the end of last year to approximate 27,000 cubic meters at the end of the year, the overall godown occupancy rate was approximate 82% whilst the godown operations income increased by approximate 10% from HK$22,195,000 to HK$24,411,000.

Property investment: Lu Plaza maintained stable occupancy rate during the period, coupled with the resumption of operation of the carparking spaces after the completion of revitalization work, the total rental revenue generated from Lu Plaza and the car parking spaces in aggregate increased by approximate 6%. Together with other leased properties, the overall rental revenue of property investment increased to HK$93,947,000.

Treasury investment: Given that the stock markets experienced with significant fluctuations during the year arising from the external global political and economic factors such as the trade friction between China and the United States, the overall treasury investment performance recorded a loss of HK$4,039,000 (2018: a profit of HK$23,534,000).

OUTLOOK

The Group’s godown operations had obtained the ISO9001:2015 International Standard certification in April 2019. In addition, with support from certain upstream and downstream strategic partners in the logistics industry, we are expected to extend our scope of services to cater for market demands including document processing, claims and delivery management, and warehouse and fulfillment management. Meanwhile, the Group will continue to make investments to upgrade the IT systems for the warehouse management and logistics operations with a view to attracting local consumers, retailers, wholesalers and other potential customers to mitigate the effect from the decrease in cargo volume of the traditional industrial materials.

Executive Director's Statement

The revitalization work has significantly improved the overall quality of Lu Plaza. Despite the expectation of sluggish growth in unit rent due to ongoing sufficient supply of new office spaces in the Kowloon East area, the rental income is expected to continue to achieve gradual growth in the future as the result of higher occupancy rate and gradual optimization of tenant mix. Following the leasing of one storey of the godown to a tenant in April 2018, the Group had leased out another half of one storey, generating additional rental income of approximate HK$2,000,000 per year. On the whole, the Group recorded an increase in rental income. Furthermore, the Group had commenced work on waterproof renovation and power supply upgrade for the godown in a bid to improve the quality of the godown and rental income potential.

As at 31 March 2019, the Group had net liquid assets of approximate HK$1,122,210,000, of which approximate HK$757,584,000 was in part placed as time deposits denominated in Hong Kong dollar and United States dollar and the balance was utilised for investments in stock markets in the United States and Hong Kong and the real estate investment trusts. Given the significant and continuous volatility in the stock markets worldwide, the financial markets are still shadowed by uncertainties. The Group will continue to closely monitor the market conditions and seek suitable investment opportunities.

Lu Wing Yee, Wayne
Executive Director

Hong Kong, 27 June 2019

Management Discussion and Analysis

Financial overview

For the Group's financial results for the year under review, the core earnings recorded a decrease as compared with last year. Profit attributable to owners of the Company for the year ended 31 March 2019 decreased by 41% to HK$279,042,000 (2018: HK$471,213,000), and the core earnings decreased by 13% to HK$51,162,000 (2018: HK$59,067,000) excluding the gain on investment property revaluation of HK$227,873,000 (2018: HK$412,146,000) and the gain on disposal of property, plant and equipment of HK$7,000 (2018: HK$Nil). Total revenue however increased by 15% to HK$142,275,000 (2018: HK$123,515,000).

The core earnings decreased by HK$7,905,000 as compared with last year, which was mainly due to the loss from treasury investment of HK$4,039,000 recorded for the year as compared to the profit of HK$23,534,000 for last year, as well as a decrease of HK$2,228,000 in godown operations. Although property investment recorded an increase of HK$7,457,000 in segment profit, it was insufficient to make up for the decrease in profit generated from treasury investment and godown operations.

During the year under review, the Company made dividend payments in the total amount of HK$75,600,000 (2018: HK$172,800,000). The consolidated shareholders' fund as at 31 March 2019 amounted to HK$4,887,109,000 (2018: HK$4,573,546,000), with the net asset value per share of the Company valued at HK$36.20 (2018: HK$33.88). Earnings per share for the year was registered at HK$2.07 (2018: HK$3.49).

Godown operations

As stated in the Executive Director's Statement, traditional warehousing operations focusing on industrial raw materials and products' customers have been languishing because of the continuous shrinkage of service demand. Thanks to the support from our existing and new customers, coupled with the strenuous efforts by the Group's management and staff, we had successfully turned around the downward trend in the past few years and witnessed improvement in the revenue generated from the godown operations during the year. During the year under review, our revenue generated from godown operations increased by 10% to HK$24,411,000 (2018: HK$22,195,000) and the respective segment profit decreased by 21% to HK$8,526,000 (2018: HK$10,754,000) due to the depreciation charge on certain areas of the Godown changed from investment properties purpose to owner-occupied.

The profit margin of the godown operations decreased to 35% (2018: 48%), and the average storage occupancy rate of the godown (2018: a total capacity of 35,500 cubic meters) increased from 62% to 69% (deducting one storey of the godown leased out at the beginning of the year, the total godown capacity had decreased to 31,600 cubic meters and the average storage occupancy rate was 75%), whilst the average storage rental rate slightly increased by 1% to around HK$74 (2018: HK$73) per cubic meter.

The objective of the business is committed to providing shareholders a stable income stream by means of optimal utilization of the Group's assets.

Competition in public godown market is very keen. The Group mainly competes with other similar godown service providers. Our competitive strategy for attracting customers is based on rental charge, quality of service and efficiency as our competitive edge. Such competition could have an adverse effect on our ability to lease storage space and on the amount of godown income that we could generate. The Group will continue to enhance its competitive edge for sustainable growth.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy rate, being percentage of godown space occupied by goods. Average storage price per cubic meter (CBM), being average storage price charged to customer per CBM of goods handled.
- Source of underlying data: Internal company data
- Assumption: Maximum capacity of the godown is 31,600 CBM (35,500 CBM for 2018)
- Purpose: Occupancy rate and average storage price per CBM are key drivers for performance

Management Discussion and Analysis

Property investment

Following the completion of Lu Plaza's revitalization work, the average occupancy rate reached approximate 86% during the year. The tenants of this property constitute as a diversified portfolio, including manufacturing, trading, logistics, information technology, engineering and catering enterprises such as restaurants, which has improved the stability of its rental revenue.

Total rental income generated from property investment amounted to HK$93,947,000 (2018: HK$85,257,000), a rise of 10% as compared to last year. Segment profit from property investment amounted to HK$66,218,000 (2018: HK$58,761,000), representing an increase of 13% as compared to the corresponding period of the last year. Rental revenue (including carparking rental income) of the Lu Plaza increased from HK$72,029,000 of last year to HK$76,274,000 for the year.

The fair value of the Group's investment properties as at 31 March 2019 amounted to HK$3,635,100,000 (2018: HK$3,398,200,000) after accounting for an unrealised fair value gain of HK$227,873,000 (2018: HK$412,146,000) which had been recognised in profit or loss this year.

The average occupancy rate of the Group's major investment properties rose from 82% in 2018 to 86% in current year.

To that end, our business goals are to achieve higher rental income and occupancy of our investment properties in order to maximize the Group's cash flows, net operating income, funds from operations, funds available for distribution to shareholders and other operating measures and results, and ultimately to maximize the valuations of our investment properties.

Competition in the office leasing market is intense. Our competitors are other landlords particularly those with similar properties near the investment properties of the Group. Factors for intense competition include location and rental rate. This competition could have a material adverse effect on our ability to achieve higher occupancy rate and on the amount of rental that we could generate.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy rate, being percentage of floor area occupied by tenant. Average monthly rental income per square feet (sq.ft.), being average rental income charged to tenant per sq.ft. of floor area leased.
- Source of underlying data: Internal company data
- Purpose: Occupancy rate and average monthly rental income per sq.ft. are key drivers for performance
- No changes have been made to the source of data or calculation methods used compared to 2018

Management Discussion and Analysis

Treasury investment

Our treasury investment business diversified its investment in listed securities, bonds and mutual funds in Hong Kong and overseas financial markets, local and foreign currencies bank deposits, and other financial products. The Group had established a balanced investment portfolio of listed stocks in Hong Kong and the United States including high dividend yield stocks and stocks with growth potentials. Foreign currency bank deposits were mainly denominated in United States Dollars. We also invested in bonds to earn interest income, mutual funds, and real estate investment trusts. The objectives of the treasury investment are to strike a balance between risk and return and maximize return to shareholders.

During the year, the Hong Kong stock market had been affected by external factors in particular the trade friction between China and the United States, resulting in volatile fluctuations in the performance of Hang Seng Index.

Revenue from treasury investment grew by 49% to HK$23,917,000 (2018: HK$16,063,000) for the year, which was mainly attributable to the increase in interest income. Meanwhile, a loss of HK$4,039,000 was recorded (2018: a profit of HK$23,534,000), which was mainly due to the fair value loss on investments held for trading of HK$19,783,000 (2018: fair value gain of HK$12,063,000). As at 31 March 2019, the securities investments held for trading valued at HK$292,744,000 (2018: HK$384,219,000), a decrease of 24%.

Since the Group converted some Hong Kong dollars into foreign currencies during the year, a loss of HK$4,537,000 (2018: a gain of HK$289,000) was recorded. As United States dollar is pegged to the Hong Kong dollar, the Group's exposure to foreign exchange risk as at 31 March 2019 was not significant.

OPERATING COSTS

The operating costs of the Group, mainly comprising of staff costs, repairs and maintenance, depreciation and other administrative costs including real estate agency fees, building management fee, repairs and maintenance cost and brokers fees for securities transactions, decreased by 9% to HK$23,755,000 (2018: HK$26,123,000). The staff costs for the year was HK$15,493,000 (2018: HK$12,821,000), of which HK$860,000 was allocated as interim and annual performance linked bonuses to motivate the staff performance. Depreciation for the year amounted to HK$16,283,000 (2018: HK$9,409,000), representing an increase of 73%, which was mainly due to the additional provision for depreciation as certain areas of the Godown changed from investment properties purpose to owner-occupied.

LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to adopt a prudent financial management policy and maintained a strong cash position. Total cash and bank balances as at 31 March 2019 amounted to HK$859,275,000 (2018: HK$778,354,000). Most of the bank deposits were denominated in Hong Kong or United States dollars. The strong cash reserve position offers protection against tough times and it also gives the Group more options for future investment opportunities. The Group has sufficient financial resources to finance its operations.

The Group financed its operation mainly by its strong cash flows generated from operations. Recurring net cash flow from operating activities before movement in working capital amounted to HK$85,067,000 (2018: HK$94,680,000), decreased by 10%. As at 31 March 2019, net current assets amounted to HK$1,122,210,000 (2018: HK$1,151,088,000) with a liquidity ratio (ratio of current assets to current liabilities) of 22.34 times (2018: 28.75 times).

The Group did not have any loan or borrowings throughout the year. Therefore, the gearing ratio was zero. Notwithstanding the continuous payment of generous dividends to shareholders over the past years, the net asset value of the Group continues to increase. As at 31 March 2019, the Group had net asset value of HK$4,887,109,000 (2018: HK$4,573,546,000) or HK$36.20 per share (2018: HK$33.88).

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 relevant employees and relevant operation teams from time to time. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and the guidelines issued by the Office of the Privacy Commissioner for Personal Data.

RELATION WITH EMPLOYEE, CUSTOMERS AND SUPPLIERS

The Group considers its employees the key to sustainable business growth and is committed to provide all employees a safe and harassment free work environment with equality opportunities in relation to employment, reward management, training and career development. Workplace safety is on top priority of the Group. 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 schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job related trainings and provides sponsorship/subsidies to employees who are committed to personal development and learning.

As at 31 March 2019, the Group employed 37 (2018: 35) employees. Total staff cost was HK$15,493,000 (2018: HK$12,821,000). 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 option scheme for employees.

Customer relationship is the fundamentals of business. The Group fully understands this principle and thus maintains close relationship with customers to fulfil their immediate and long-term needs. For our customers of godown operation business, we deliver high quality logistics service and meet our customers' needs. For our property investment business, we have engaged high quality property management company to manage our major investment properties. Tenant's need and feedback are communicated through the property manager from time to time to improve the management service and ensure tenants' satisfaction.

Due to the nature of its businesses, the Group does not have any major supplier that has significant influence on the 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 a tendering process in accordance with the Group's relevant policy. 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, and a majority of the Group's revenue is derived from Hong Kong. As a result, the general state of Hong Kong warehouse segment and the property market, the interest rate changes and the political and economic situation in Hong Kong may have a significant impact on the Group's operating results and financial condition. Specific key risks of the Group's business are discussed as below. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Management Discussion and Analysis

Godown operations

Economic conditions around the world, especially those in Mainland China, Europe, Asia Pacific and Hong Kong, could have effect on the international trade which in turn could have a significant impact on the godown business. The Group is primarily engaged in providing godown services to manufacturers, retailers, newspapers media and publisher companies and other relevant customers to serve their needs along their supply chains. We are therefore dependent on our customers' business performance and developments in their respective markets and industries.

Property investment

Financial performance may be adversely affected in the event of a decline in rental or occupancy rate, or difficulties in securing lease renewals or obtaining new tenants. The Group cannot be assured that existing tenants will renew their leases upon expiration or that the Group will be able to find replacements at rental rates equal to or above the current rental rates for tenancies. The Group may also be subject to changes in rental income due to government policies. For example, if the government resumes the revitalization scheme for industrial buildings, the supply of potential commercial premises in Kwun Tong, Kowloon Bay and other districts will increase and exert pressure on the general level of rental rates.

Treasury investment

For the treasury investment business, the fluctuation in market value of the portfolio of listed securities could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standards, the gain/loss on the listed securities should be booked as fair value gain/loss on investment held for trading in the Statement of Profit or Loss and Other Comprehensive Income, no matter whether the securities are disposed or not. Therefore, the fluctuation in stock price could have positive or negative effect on the Group's profitability. The Directors will closely monitor the stock market and manage the investment portfolio in order to maximize the shareholders return.

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit risks in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 28 to the consolidated financial statements from pages 87 to 92.

GROUP'S ABILITY TO FUND CURRENT AND FUTURE OPERATIONS

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

DIVIDEND POLICY

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. In the past 10 years, the Group had provided shareholders with relatively generous dividend payments. The Board will try 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.

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

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 31 March 2019, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2019, 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 Tuesday, 13 August 2019 to Friday, 16 August 2019, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), for registration not later than 4:30 p.m. on Monday, 12 August 2019.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Monday, 26 August 2019 to Thursday, 29 August 2019, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong (which will be relocated to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019), for registration not later than 4:30 p.m. on Friday, 23 August 2019.

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 operation and development. Effective corporate governance provides integrity, transparency, accountability which contributes to the corporate success and enhancement of shareholder value.

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 March 2019 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

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

Since 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have been vacant and have not been filled up as at the date of this 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 while with the assistance of the senior management, executive director continues to monitor the business and operation of the Group.

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

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

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 17 August 2018 in accordance with the Articles.

CG Code Provision F.1.3 stipulates that the company secretary should report to the Chairman of the Board and/or the chief executive. As the positions of the Chairman of the Board and the Chief Executive Officer have been vacant, the Company Secretary reports to the Executive Director of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct governing dealing by all directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2019.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is currently composed of one Executive Director, one Non-executive Director and three Independent Non-executive Directors. Over half of the Board members are Independent Non-executive Directors 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.

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 four board meetings during the year. Details of Directors' attendance records are as follows:

Directors	Attendance/Number of meetings held during the year Board Meetings	 Annual General Meeting
Executive Director		
Mr. Lu Wing Yee, Wayne	4/4	1/1
Non-executive Director		
Mr. Lee Ka Sze, Carmelo	2/4	0/1
Independent Non-executive Directors		
Mr. Gan Khai Choon	4/4	0/1
Mr. Lam Ming Leung	4/4	0/1
Mr. Leung Man Chiu, Lawrence	4/4	1/1

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

Responsibilities over day-to-day operations are delegated to the management under the leadership of the Executive 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 year end dividends;
- reviewing and approving the 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 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.

DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Company has provided funding to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2019, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

The training received by each Director during the year ended 31 March 2019 is summarized as below:

	Regulatory update and corporate governance matters	
Directors	**Reading materials**	**Attendance on seminars/internal discussions meetings**
Executive Director		
Mr. Lu Wing Yee, Wayne	√	√
Non-executive Director		
Mr. Lee Ka Sze, Carmelo	√	√
Independent Non-executive Directors		
Mr. Gan Khai Choon	√	√
Mr. Lam Ming Leung	√	-
Mr. Leung Man Chiu, Lawrence	√	√

CHAIRMAN AND CHIEF EXECUTIVE

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

The late Mr. Lu Sin, the founder of the Group, assumed the roles of both the Chairman and Chief Executive Officer 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 Director with the assistant 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 has established two committees, the Remuneration and Nomination Committee and the Audit Committee, each of which has its specific written terms of reference.

BOARD COMMITTEES (Continued)

Remuneration and Nomination Committee

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

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on issues including new appointment and re-appointment of Directors and senior management; review management succession planning for senior management of the Company; formulate, review and 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 of Directors 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, checking professional and personal resumes, and conducting background checks. The Board of Directors will consider the recommendations of the Remuneration and Nomination Committee and will be responsible for designating candidates for 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 of association of the Company).

The Remuneration and Nomination Committee shall consider the following qualifications as the minimum qualification required to recommend candidates to the Board of Directors 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;
- Independence: Candidates for independent non-executive directors should meet the “independence” criteria set out in the Listing Rules and the composition of the board of directors 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.

BOARD COMMITTEES (Continued)

Remuneration and Nomination Committee (Continued)

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

Members	Number of meetings attended/held
Mr. Lam Ming Leung *(Chairman of the Committee)*	1/1
Mr. Lee Ka Sze, Carmelo	0/1
Mr. Leung Man Chiu, Lawrence	1/1
Mr. Gan Khai Choon	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 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 approving the remuneration to the Executive Director 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 Director) by band for the year ended 31 March 2019 is set out below:

Remuneration bands (HK$)	Number of person(s)
0 to 1,000,000	3

From October 2011, the Executive Director has voluntarily agreed suspension of payment of salaries. Further particulars regarding the Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 7 and 8 to the consolidated financial statements respectively.

Board Diversity Policy

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

The Board recognises the importance of having a diverse Board in enhancing the Board 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 regard 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.

BOARD COMMITTEES (Continued)

Audit Committee

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

The Company has complied with Rule 3.21 of the Listing Rules which requires that the Audit Committee has a minimum of three non-executive directors, must be chaired by an independent non-executive director, 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 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.

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**
Mr. Gan Khai Choon *(Chairman of the Committee)*	2/2
Mr. Lee Ka Sze, Carmelo	0/2
Mr. Lam Ming Leung	2/2
Mr. Leung Man Chiu, Lawrence	2/2

The Audit Committee assists the Board in meeting 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.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions as set out in the code provision D.3.1 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 Hong Kong Exchanges and Clearing Limited.

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

AUDITOR'S REMUNERATION

The Board agrees with the Audit Committee's recommendation for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditor for financial year 2019/2020. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 16 August 2019.

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

	For the year ended 31 March	
Nature of services	**2019**	2018
	HK$	*HK$*
Review fee for interim results	**141,000**	141,000
Audit fee for final results	**1,000,000**	925,000
Taxation consultancy services fee	**126,800**	142,800
Consultancy service for Environment, Social and Governance Reporting	**90,000**	100,000
Total audit and non-audit services	**1,357,800**	1,308,800

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 42 to 45 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 a sound and effective risk management and internal control systems of the Group. The Audit Committee assisted the Board to fulfill its responsibility. 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 risks 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.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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 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.

RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

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. Based on the Company's risk assessment results, the IA Function recommended a three-year internal audit plan to the management and endorsed by the Board and Audit Committee. 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 weakness in order to enhance the internal control of operation procedures, systems and controls.

During the year, the internal audit function has carried out review of the following process of the Group:

1. Financial reporting and disclosure management;

2. Cash management;

3. Warehouse management;

4. Property management; and

5. Corporate governance and compliance management (according to Appendix 14 of Listing Rules).

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.

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 2019.

COMMUNICATION WITH SHAREHOLDERS

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

The Company encourages the shareholders to attend annual general meetings and all its other shareholders' meetings (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 2019 Annual General Meeting will be decided on poll. The Company's share registrars will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with Rule 2.07C of the Listing Rules as soon as possible on the websites of the Stock Exchange and the Company respectively. The Chairman of shareholders' meeting will ensure that any vote of shareholders at the 2019 Annual General Meeting (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.

Corporate Governance Report

SHAREHOLDERS' RIGHTS

(a) General meeting on requisition by shareholders

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

The request:

(i) must state the general nature of the business to be dealt with at the meeting;

(ii) may include the text of a resolution that may properly be moved and is intended to be moved at the meeting;

(iii) may consist of several documents in like form;

(iv) may be sent in hard copy form or in electronic form; and

(v) must be authenticated by the person or persons making it.

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

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

(b) Procedures for putting forward enquires to the Board

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

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

E-Mail: info@safetygodown.com.hk
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SHAREHOLDERS' RIGHTS (Continued)

(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.

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. Investors are welcome to write directly to the Company at its Hong Kong registered office for any inquires.

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

Fulfilling social responsibility is an important strategy to promote the sustainability of the Company. It is our liability and also our obligation to shoulder more social responsibility and instill our employees with more positive energy.

The Group is always committed to the simultaneous development of its economic and social benefits, and calls on our employees to join the Group in fulfilling social responsibility.

In 2018, the Group participated in a number of public welfare activities, including promoting and encouraging employees to support the annual blood donation activity organised by Hong Kong Red Cross, and supporting the House Sponsorship Programme of Po Leung Kuk Child Sponsorship, the Senior Citizen Home Safety Association – 'Love and Peace of Mind' Corporate Engagement Program 2018 and the 7th 3-Legged Charity Walk organised by Christian Action, as well as supporting and making contribution to Community Chest for a series of public welfare activities including the Community Chest Corporate Challenge, the Community Chest – Skip Lunch Day, the Community Chest Green Day 2018 and the Community Chest Corporate Challenge – Half Marathon & the 10 Km Run 2019. The Group has sponsored the 16th Hong Kong Synergy 24 Drum Competition organised by Hong Kong Chinese Orchestra and the FIVB Volleyball Nations League Hong Kong 2018 organised by Volleyball Association of Hong Kong for several consecutive years. In addition, the Group organised employees to visit "Kwong Yam Care Home" operated by The Hong Kong Chinese Christian Churches Union during festivals, provided venue at Lu Plaza to World Vision Hong Kong for used book collection center, etc. The Group has organised several activities such as ordering gifts for festivals from the charitable organization, with an aim to support the under-privileged group and encourage our employees to participate in volunteer activities.

The Group also persistently promotes and takes part in environmental protection, and encourages employees to participate in recycling "Chinese new year red pockets", moon cake boxes, computer parts, electrical appliances and old clothing. The Group takes measures to enhance energy conservation and paper recycling at our offices, and pushes ahead the implementation of plans to create a green working environment.

The Hong Kong Council of Social Service has awarded us the "15 years Plus Caring Company" logo again in 2018.

Lu Wing Yee, Wayne
Executive Director

Hong Kong, 27 June 2019

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance ("ESG") Report (the "Report") is the third 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 its commitment to promote sustainability throughout the business portfolio.

Reporting Guideline

This Report has been prepared in accordance with the "ESG Reporting Guide" as set out in Appendix 27 of the Main Board Listing Rules of the Stock Exchange of Hong Kong. The disclosure obligations and the reporting principles of materiality, quantitative, balance, and consistency have been strictly followed to decide the content and the presentation of the Report.

Reporting Scope

This ESG 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 2019 (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 of the Group.

Report Confirmation and Approval

The senior management and the Board of Directors of the Group have reviewed and approved the report in June 2019, confirming that the disclosures fairly represented the Group's ESG performance, as well as fulfilling the reporting principles as set out in the ESG Reporting Guide.

ESG GOVERNANCE

Our sound and comprehensive ESG governance framework headed by the Board of Directors provides a strong 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 implementations. The well-established framework facilitates communications and divides roles and responsibilities of the team to properly tackle ESG issues. The structure of our ESG governance team is indicated as below:

Roles	Responsibilities
Board of Directors	The Board of Directors determines the overall ESG strategies and direction of the Group. They take charge of the annual risk assessment to oversee the Group's ESG performances and identify ESG-related risks and opportunities. Furthermore, the Board takes a monitoring role to ensure that appropriate and effective risk management and internal control systems are in place to manage ESG-related risks.
Senior Management	The senior management of major functional departments is empowered by the Board of Directors to develop ESG policies and procedures, initiatives and implementation plans to align business operations with the Group's ESG and sustainability goals. They are also responsible for implementing effective risk management and internal control systems in tackling ESG-related risks, and providing annual confirmation on their effectiveness to the Board.
ESG Working Group	A dedicated ESG working group was formulated in 2017 to handle the ESG activities of the Group. The taskforce comprises of selected members with sufficient and adequate ESG knowledge from core departments to engage with stakeholders, promote ESG policies and initiatives in operations, measure ESG data, participate in ESG reporting, etc.

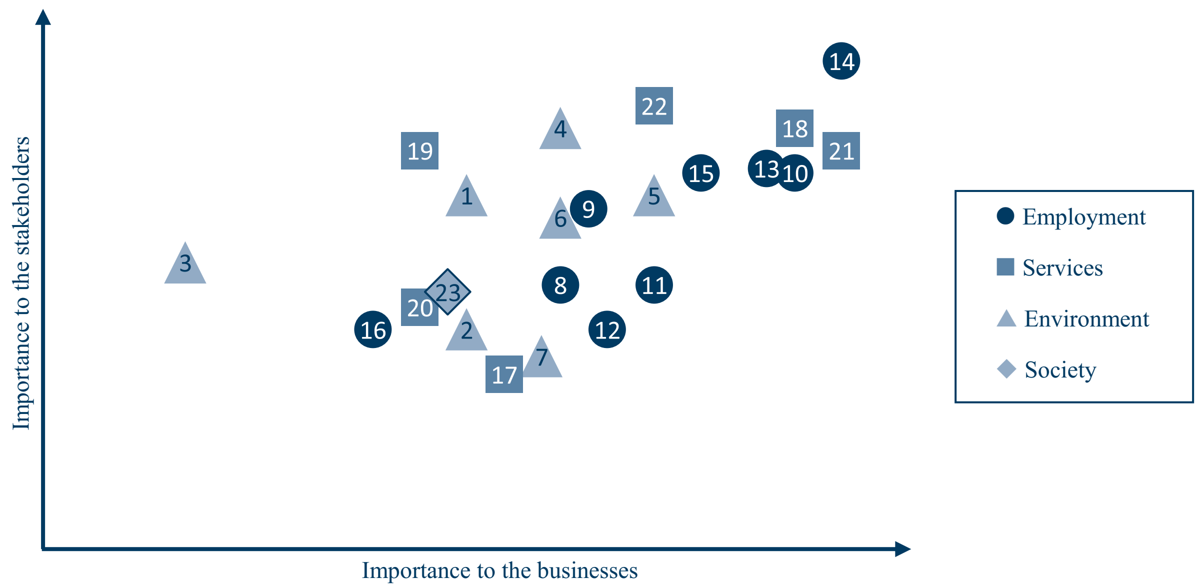
Stakeholders' Engagement

We pay much attention to our stakeholders' feedback so as to formulate a balanced and sustainable development strategy that can best address stakeholders' needs and expectations. To collect their opinions, we actively engage with our stakeholders including but not limited to our staff, customers, investors, suppliers, government, media, and the general public through various communication channels as illustrated below:

Relevant Stakeholders	Participation Methods	
Employees	• Emails and Publications • Training and Meetings	• Employee Activities • Performance Appraisal
Clients	• Corporate Website • Client Service Hotline	• Client Survey • Client Meetings
Investors and Stockholders	• Annual General Meeting • Annual and Interim Report	• Announcements • Emails
Suppliers and Business Partners	• Business Meeting • Field Visitation	• Supplier Assessment
Government and Supervising Authorities	• Public Consultation	• Industry Forum
Social Groups and the General Public	• Charitable Activities	• Donation
Media	• Official Website	

MATERIALITY ASSESSMENT

To identify and address key ESG issues concerned by our stakeholders, we have carried out 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. Based on the quantitative and qualitative responses, followed by management review for validation, we have identified 23 material(1) ESG topics to discuss in this report.



(1) Due to our business nature, hazardous waste and packaging materials are insignificant to the Group and the stakeholders and therefore not outlined as material ESG issues to the Group.

1	Air Emissions	13	Benefits and Welfare
2	Greenhouse Gas Emissions	14	Workplace Health and Safety
3	Non-hazardous Waste	15	Training and Development
4	Waste Disposal Management	16	Anti-child and Forced Labour
5	Energy Usage	17	Supply Chain Management
6	Water Usage	18	Service Quality
7	Green Renovation	19	Product Safety
8	Recruitment and Promotion	20	Advertising and Labelling
9	Compensation and Dismissal	21	Data Privacy and Protection
10	Working Hours and Rest Periods	22	Anti-corruption and Money Laundering
11	Equal Opportunity and Diversity	23	Community Investment
12	Anti-discrimination		

VALUE OUR PEOPLE

Workplace Health and Safety

The Group is committed to establishing and maintaining a safe working environment for our employees and subcontractors with an aim to raise occupational safety and health awareness, and to ultimately minimize the potential risks and hazards in our operation. We also work closely with the property manager to develop safety objectives, annual safety plans, emergency reporting line, as well as conducting systematic examination on safety condition. Mitigation and preventive measures that are in compliance with OHSAS 18001:2007 and the laws and regulations governing workplace safety are in place. For instance, when heavy machines or high voltage electricity is involved, we engage licensed subcontractors to inspect the equipment and perform risk assessments prior to operation. Only certified employees are allowed to perform works under such high risk conditions. In addition, internal safety training is provided and promotional posters are also available on corridors and lobbies to attract attention on safety issues among our staff.

As for our daily operations, we provide our employees with necessary equipment such as ladders, trolleys and forklifts, and safety instructions on the correct postures when using computers and lifting heavy goods to reduce risks of potential incidents and occupational diseases. In our warehouses, all machine operators must be well-trained and possess relevant qualifications before they are assigned to machine operation tasks. Moreover, no dangerous goods are allowed to be stored in our warehouses as set out in tenancy agreements, in accordance with the Dangerous Goods Ordinance.

We adhere to the Factories and Industrial Undertakings Ordinance, the Occupational Health and Safety Ordinance and other safety-related laws and regulations. As a reasonable employer, we take active role in protecting our employee. We provide and maintain working environment, plants and systems that are of minimal health and safety risks. Furthermore, we ensure sufficient instruction, training and supervision are in place to reduce possibility of workplace injury. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with occupational health and safety-related laws and regulations.

Labor Practices

Employee Compensation and Benefits

We offer competitive compensation packages to attract and retain talents as we believe they are the main drive to our success. Employee compensation is reviewed annually based on market trend, company performance and a systematic performance evaluation mechanism with criteria such as qualifications, experience, as well as work performance and responsibilities. In addition, numerous benefits are provided including mandatory provident fund (“MPF”), medical insurance, long term service awards and special allowance for marriage.

The Group values the wellbeing of our employees. We implement working hours with full consideration of employees’ physical and mental health. Overtime working is compensated in accordance with relevant regulations. Furthermore, our employees are entitled to paid leave such as annual leave, sick leave, maternity leave and exam study leave. An Employee Handbook has been established to document all human resource policies, including employee compensation and welfare, dismissal, recruitment, working hours and rest periods, etc. for the reference of all staff.

In addition, we endeavor to improve working environment and enhance job satisfaction in all positions. We promote work-life balance and have established a recreational group for all employees. The group organizes various regular recreational activities such as Christmas party, hiking trips, as well as cultural and sports activities to enhance communication and bonding between employees and the management.

Recruitment, Promotion and Dismissal

We aim to recruit the best-in-class talents who share the same values with us. The setting of annual human resources plan is in line with our strategic development and operational needs. We adopt fair and objective selection criteria and a structured interview process to spot appropriate personnel. Probation period is provided to the new-joins to ensure their performances are satisfactory. In addition, employees have the right to terminate the employment relationship and we follow standard termination procedures, which comply with applicable laws and regulations, to protect the interest of our staff and avoid any potential legal issues.

Equal Opportunity, Diversity and Anti-discrimination

All of our employees are treated fairly and equally for hiring, promotion, job transfer and training must be given on an open and equal basis. The assessments for recruitment and promotion are developed solely to evaluate the attributes, skills and experiences of the candidates and we strictly prohibit any discrimination against age, gender, race, religious belief, physical features, etc. We also strive to build a diverse team to embrace new ideas and create a culture that fosters innovation by valuing these differences.

Our human resources policies and procedures have been developed in accordance with the Employment Ordinance and the anti-discrimination ordinances in Hong Kong related to sex, disability, family status and race. The Human Resource Department implements proper controls throughout the administrative processes to ensure compliance with legal requirements on wage, holidays, rest days and leave, and other employment protection as well as preventing discrimination, harassment and unfair treatment to the employees. We are keen to safeguard our employee's interest and develop a harmonious workplace with equality, care and respect. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with employment-related laws and regulations.

Training and Development

The Group continuously supports both career and personal development of our employees as we believe such initiatives will bring mutual benefits. Therefore, we proactively provide sufficient training for employees to ensure that they are equipped with the necessary skills and knowledge. Training includes induction courses and technical seminar as well as on-the-job training to expand the knowledge base of all staff and facilitate the effectiveness and efficiency of their performance. Full education sponsorship and examination leave will be granted to our employees to undertake further studies or technical courses, if required.

Anti-child and Forced Labor

We advocate human rights and believe no one should be forced to work by any means, such as physical abuse, duress, detention, or any other unethical or unlawful reasons. Hence, we strictly prohibit any employment of child and forced labor, as defined in local labor laws, in any of our business operations. All of our employees sign formal employment contracts with us voluntarily and possess qualified identity documents. Proper identity check is adopted in recruitment process to ensure candidates are eligible to work under the local labor laws.

We closely follow the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance and have zero tolerance to the use of child and forced labor in our operation as well as our supplier chain. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with child and forced labor-related laws and regulations.

VALUE OUR SERVICES

Service Quality and Safety

We continuously strive to enhance the quality of service to our customers and pursue high customer satisfaction. For our customers of godown business, we deliver quality warehousing services and efficient logistic services to meet our customers' needs by maintaining a secure environment in safeguarding our customers' stocks. Measures including secure warehouse door locks, 24-hour security guards, installation of closed circuit television ("CCTV"), recording visitors' identity, and implementation of tight procedures in controlling stock movement are in place for the purpose of warehouse security.

For our property investment business, we continue to employ a high quality property management service provider. The needs and feedback of tenants or clients are frequently communicated through the property manager. We also monitor their levels of satisfaction regularly and request our property manager to enhance their service quality continuously. If a tenant or client has a complaint, the property manager will handle the complaint and the case will also be investigated by various management personnel. Improvement measures will be designed and discussed to solve the existing problems and prevent similar issues from arising in the future.

We also take into account the safety concerns associated with our warehouse services and property investment businesses. We require all of our sub-contractors to have safety plans to govern their safety practices when discharging their work duties. Our employees and sub-contractors follow the general safety rules and instructions on fire arrangement, housekeeping, electricity and overhead and underground services in order to provide customers with the highest standard of safety. Safety equipment is placed in a clearly identified and accessible location. We also set out emergency preparedness to facilitate proper handling of accidents and incidents.

We strictly conform to the Supply of Services (Implied Terms) Ordinance, the Building Management Ordinance, the Factories and Industrial Undertakings Ordinance, and other services quality and safety-related laws and regulations. The service providers are required to ensure the services with satisfactory quality. Both the godown and property investment businesses abide by the statutory requirements on the operation and safety conditions, supported by regular compliance checks. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with services quality and safety-related laws and regulations.

Anti-corruption and Money Laundering

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

The following ethical guidelines are documented in the Employee Handbook to provide detailed instructions for employees in different scenarios:

- Soliciting or accepting an advantage
- Hospitality
- Conflict of interest
- Abuse of company assets
- Loan arrangement
- Gambling activities

We stringently obey the Prevention of Bribery Ordinance, the Competition Ordinance, and other relevant laws and regulations related to anti-corruption and money laundering. The Group and its employees are not allowed to solicit or accept any advantage to corrupt, damage market competition and conduct illegal actions. Whistle-blowing channels are available for reporting of potential fraudulent activities. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with anti-corruption and money laundry-related laws and regulations.

Data Privacy and Protection

The protection of customers' data is also our major concern. We strictly comply with the Personal Data (Privacy) Ordinance and have applied Data Protection Principles from the Ordinance to our operations as follows:

- Only collect and retain personal data relevant to our business operations;
- Only use personal data for the purpose of 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 it was previously notified; and
- Maintain appropriate security systems and measures to prevent unauthorized access to personal data.

In addition, we require our employees to take up necessary precautions to prevent leakage or abuse of sensitive information and intellectual properties, including but not limited to trademarks and patents, personal data and copyrighted information. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with data privacy-related laws and regulations.

Advertising and Labelling

Our marketing and sales function operates under the principle of integrity. Promotion and advertising materials are designed in accordance with our internal policies and reviewed by relevant supervisors before its publication to ensure that no false or inaccurate information is contained to mislead our customer. We maintain our high credibility by providing services that are consistent with services description and labelling to gain trust from our customers and the general public. We strictly comply with the Trade Descriptions Ordinance and other advertising and labelling-related laws and regulations. The regulations seek to enhance the protection for customers and prohibit unfair trade practices deployed by merchants against consumers. Based on the above mentioned measures, during the Reporting Period, we did not identify any material non-compliance cases with advertising and labelling-related laws and regulations.

Supply Chain Management

We understand our supply chain plays a critical role to our businesses and we only choose suppliers which are consistent with our principles of corporate social responsibility to cooperate with. The property management company we have chosen possesses different accreditations relating to environmental and social risk management such as ISO 14001:2015 for environmental management system and OHSAS 18001:2007 for occupational health and safety management best practices. Apart from property management, our renovation contractors are required to provide sound waste management plan to minimize the environmental impact from wastes generated from renovation, and site safety plan to ensure the safety of workers and the general public, thereby decreasing the possibilities of accidents.

We also focus on how suppliers fulfil social responsibility. Hence, we prefer social enterprises or suppliers with "FAIRTRADE Mark" and "Caring Company" certificates which indicate their community involvement. By selecting those suppliers, we can provide support to the community based organizations, which in turn indirectly contributing to society.

VALUE OUR ENVIRONMENT

Apart from complying relevant environment laws, we recognize the importance of environmental impacts from our businesses and we adopt risk-based environmental management in our operations. As we own several properties for operation and investment, we have employed an independent property management company to assess and manage environmental impacts of our buildings. The property management company has established the "Environmental Aspects and Environmental Impact Assessment Report" for our buildings to assess their environmental impacts and recommend green controls of different building activities, ranging from office administration to garbage disposal. We also encourage the property management company to implement various environmental initiatives and monitor their performance.

Resources Management

Electricity and Water Consumption

We conserve natural resources for the long-term sustainability in the community and aim at improving the efficiency on use of resources. During the Reporting Period, we have identified the following major resources consumption and the corresponding intensities:

2019

Resource Type[(2)]	**Total Consumption**	**Unit**	**Intensity Per Staff**	**Intensity Per Square Foot (Gross Floor Area)**
Unleaded Petrol	**3,962**	**L**	**107.08 (L/person)**	**0.012(L/sq. foot)**
Electricity	**173,030**	**kWh**	**4,676.49 (kWh/person)**	**0.535 (kWh/sq. foot)**
LPG	**1,520**	**kg**	**41.08 (kg/person)**	**0.005 (kg/sq. foot)**
Water[(3)]	**1,099**	**m^3**	**29.70 (m^3/person)**	**0.003 (m^3/sq. foot)**

2018

Resource Type[(2)]	Total Consumption	Unit	Intensity Per Staff	Intensity Per Square Foot (Gross Floor Area)
Unleaded Petrol	3,989	L	113.97 (L/person)	0.012 (L/sq. foot)
Electricity	199,754	kWh	5,707.26 (kWh/person)	0.618 (kWh/sq. foot)
LPG	2,320	kg	66.29 (kg/person)	0.007 (kg/sq. foot)
Water[(3)]	894.00	m^3	25.54 (m^3/person)	0.003 (m^3/sq. foot)

We have taken green measures in reducing the use of resources, monitoring the resources consumption, and driving behavior changes of employees. Replacement with advanced equipment and considerable technologies to enhance energy efficiency are our trend of sustainable development. By reducing the usage of our resources and creating long-term value to our stakeholders, we believe these green moves bring mutual benefits to both the environment and the stakeholders.

In addition, we have worked together with our property manager to produce an environmental management plan to identify potential improvement areas for resources usage, set improvement targets for energy and water consumption, as well as monitoring the outcomes and effectiveness of the implemented plans closely based on internal and local standards. During the Reporting Period, we have successfully reduced the usage of unleaded petrol, electricity and LPG while the increase of water consumption was due to increased renovation works in our properties. We will continuously monitor electricity and water consumptions and deploy any possible course of action to achieve effective use of energy and waste reduction.

Other Environment and Natural Resources

We consider the impact on the environment in making business decisions. We make every endeavor to manage environmental risks related to our operations, and implement preventive measures to control the risks. If a significant environmental risk is encountered, corresponding mitigating plans will be developed to address the issues. To promote and implement our sustainable development, we work closely with our business partners and our people to develop environmental risk assessment and management mechanism and to achieve zero complaint from tenants regarding any environmental aspects so as to build a green environment to our stakeholders.

Emission Management

Given our Group's principal businesses of property investment and godown operations, non-hazardous waste management and emissions control have become the core parts of our sustainable development strategy. We strictly comply with the Air Pollution Control Ordinance, the Public Health and Municipal Services Ordinance and other emission-related laws and regulations. The ordinances prohibit the use of high sulphur and leaded fuels and disposal of wastes in public place. We have implemented various measures as mentioned in "Resource Management" above to reduce the use of fuels and we properly handle our non-hazardous waste. During the Reporting Period, we did not identify any material non-compliance cases with environmental laws and regulations.

(2) Due to our business nature, there were no significant packaging materials consumed during the Reporting Period and hence the disclosure on the amount of packaging materials is inapplicable.
(3) Since all water usage within our properties is provided through centralized city pipelines, we did not note any issue regarding sourcing water that is fit for purpose during the Reporting Period.

Air and Greenhouse Gas Emissions

The major air emissions identified from our operations arise from the usage of private vehicles and forklifts. During the Reporting Period, the amount of direct air emissions[4] generated from the use of unleaded petrol and LPG are summarized in the table below:

2019		
Air Emissions Type	**Unit**	**Total Emissions**
Nitrogen oxides (NO_x)	kg	**2.05**
Sulphur oxides (SO_x)	kg	**0.06**
Particulate Matter (PM)	kg	**0.13**

2018		
Air Emissions Type	Unit	Total Emissions
Nitrogen oxides (NO_x)	kg	2.36
Sulphur oxides (SO_x)	kg	0.06
Particulate Matter (PM)	kg	0.14

For our Greenhouse Gas ("GHG") emissions, it comprised of emissions from the consumption of purchased electricity, vehicle fuels, water and paper. The amount and intensity of such emissions during the Reporting Period are summarized in the table below:

2019			
		Intensity	
GHG Emissions Type by Scope	**Total Emissions[5] (tonnes CO_2e)**	**Per Staff (tCO_2e/staff)**	**Per Gross Floor Area of Office and Warehouses (tCO_2e/sq. foot)**
Scope 1	**15.31**	**0.41**	**0.000047**
Scope 2	**88.25**	**2.39**	**0.000273**
Scope 3	**5.47**	**0.15**	**0.000017**
Total GHG Emissions	**109.03**	**2.95**	**0.000337**

2018			
		Intensity	
GHG Emissions Type by Scope	Total Emissions[5] (tonnes CO_2e)	Per Staff (tCO_2e/staff)	Per Gross Floor Area of Office and Warehouses (tCO_2e/sq. foot)
Scope 1	17.80	0.51	0.000055
Scope 2	101.87	2.91	0.000315
Scope 3	5.48	0.16	0.000017
Total GHG Emissions	125.15	3.58	0.000387

To reduce air and GHG emissions, the Group has implemented various measures in our operations. For instance, the majority of forklifts used in our warehouse is electric-operated with no emissions while the rest consumes LPG, a relatively clean fuel with lower level of emissions, and certified with NRMM label by the Environmental Protection Department. For the measures to control other sources of GHG emissions such as electricity, water and paper, please refer to the respective "Electricity and Water Consumption" and "Waste Management" sections. During the Reporting Period, we are pleased to announce that we have reduced the air and GHG emissions as compared to the last reporting period and stepped forward to protecting our environment.

(4) The calculation of air emissions was in accordance with HKEx ESG Guideline Appendix 2: Reporting Guidance on Environmental KPIs.
(5) The calculation of total GHG emissions was in accordance with the HKEx ESG Guideline Appendix 2: Reporting Guidance on Environmental KPIs.

Waste Management

Due to our business nature, no significant hazardous waste was produced from our operating activities during the Reporting Period and hence the disclosure on the amount of hazardous waste is inapplicable. On the other hand, the non-hazardous wastes directly produced and disposed of from our operations during the Reporting Period are summarized in the table below:

2019		
Non-hazardous Wastes Type	**Unit**	**Total Amount**
General domestic wastes, Wastepaper, Wooden pallets	tonnes	**22.44**

2018		
Non-hazardous Wastes Type	Unit	Total Amount
General domestic wastes, Wastepaper, Wooden pallets	tonnes	25.96

In order to minimize wastes produced and their environmental impacts, we closely monitor from sources to the entire waste management system. The Group also incorporates the 3Rs ("Reduce, Reuse, and Recycle") waste management principle into our operational procedures for our staff to follow.

Since paper has been identified to be the major source of waste produced, we have adopted a paperless office strategy such as encouraging double-sided printing and the use of electronic communication channels for document sharing to reduce paper usage. We also encourage employees to maintain electronic records instead of printed copies to reduce paper to be discarded.

In addition, we emphasize the importance of recycling and reuse in our workplace such as setting up paper and battery recycling bins, reusing pallets in warehouses, and organizing different campaigns with environmental organizations including collection of second-hand books and mooncake boxes to raise the awareness of recycling and reuse of resources. With the collaborative support from our staff, during the Reporting Period, we recorded fewer non-hazardous wastes comparing with last year.

Environmental Impacts from Business Operation

Green Renovation

When renovation work is commenced in our properties, we seek to implement strict controls on our subcontractors regarding noise nuisance, odor and waste management, in order to meet the statutory and contractual requirements. We require our subcontractors to ensure all wastes generated during the renovation process are properly managed on site and transported and disposed of to a designated site that is in compliance with the Waste Disposal Ordinance.

VALUE OUR SOCIETY

Community Programs, Employee Volunteering and Donation

While achieving business growth, we strive to fulfill our social responsibilities in order to give back to the community. The Group has been actively participating in charity events and our effort has been recognized by the Hong Kong Council of Social Service with the "15 Years Plus Caring Company" logo.

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

Name of Organization/Event	Purpose and Target beneficiary
The Community Chest – Green Day 2018	Raised funds for the "Medical and Health Services" program.
The Community Chest Corporate Challenge – Half Marathon & the 10 Km Run 2019	Supported the cause to enhance "Rehabilitation & Aftercare Service".
The Community Chest – Skip Lunch Day 2019	Supported the "Services for Street Sleepers, Residents in Cage Homes and Cubicles".
China Life Overseas – FIVB Volleyball Nations League Hong Kong 2018	Supported the international sports event in Hong Kong.
Senior Citizen Home Safety Association – 'Love and Peace of Mind' Corporate Engagement Program 2018	Supported the program of the providing 24-hour emergency assistance and caring services for the needy elderly.
Hong Kong Chinese Orchestra – 16th Hong Kong Synergy 24 Drum Competition	Sponsored for the competition for over ten years to promote Chinese music culture.
Po Leung Kuk – House Sponsorship for children	Sponsored and donated to the program.
The Hong Kong Chinese Christian Churches Union	Sponsored the Lunar New Year Luncheon for the Elderly.
Christian Action – The 7th 3-Legged Charity Walk	Supported the child welfare services for underprivileged children in Hong Kong as well as orphans and disabled children in Qinghai.

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 2019.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding and treasury investment. The principal activities of its principal subsidiaries are set out in note 31 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 46.

An interim dividend of HK28 cents per share, amounting to HK$37,800,000 was paid to the shareholders during the year. The Directors now recommend the payment of a final dividend of HK12 cents per share amounting to HK$16,200,000 and a special dividend of HK88 cents per share amounting to HK$118,800,000 to the shareholders whose names appear on the register of members on 29 August 2019, and the retention of the remaining profit for the year of HK$106,242,000.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2019, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$1,183,083,000 (2018: HK$1,259,134,000).

DIRECTORS

(a) Directors of the Company

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

Executive Director
Mr. Lu Wing Yee, Wayne

Non-executive Director
Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors
Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lee Ka Sze, Carmelo and Mr. Leung Man Chiu, Lawrence shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Details of the Directors to be re-elected at the 2019 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 and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

DIRECTORS (Continued)

(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 in certain subsidiaries of the Company. Other Directors of the Company's subsidiaries during the year and up to the date of this report are Ms. Chan Koon Fung, Mr. Ng Gei, Mr. Lo Tai On, Ms. Koo Ching Fan, Mr. Huang Huei Ru (appointed on 13 December 2018) and Mr. Wong Hung Chin (appointed on 13 December 2018).

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2019, 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:

	Number of issued ordinary shares of the Company held (long position)					Percentage issued shares of the Company
Name of directors	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Total interests**	
Mr. Lu Wing Yee, Wayne	9,410,420	–	23,440[1]	4,400,000[2]	13,833,860	10.25%
Mr. Lam Ming Leung	10,000	–	–	–	10,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares held by a company, which was 100% controlled by himself.

2. Mr. Lu Wing Yee, Wayne was deemed to be interested jointly with Ms. Chan Koon Fung in these 4,400,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).

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 2019.

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 7 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 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, the following Director (not being the Independent Non-Executive Directors) is considered to have interests in the businesses listed below which compete or are likely to compete with one of 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"):

(i) Mr. Lu Wing Yee, Wayne is a director of each of Lusin And Company Limited and Kian Nan Financial Limited which, through certain of their subsidiaries, are involved in the investment in financial instruments.

Although the above-mentioned Director has competing interests in other companies by virtue of his respective common directorship, he will fulfill his fiduciary duties in order to ensure that he will act in the best interest of the shareholders of the Company (the "Shareholders") and the Company as a whole at all times. Hence, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of such companies.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the businesses 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 in relation to the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connexion with any application as specified therein in which relief is granted to him by the court.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2019, 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) Direct interest	Indirect interest	Percentage of issued shares of the Company
Kian Nan Financial Limited	Beneficial interest	49,203,445	–	36.45%
Earngold Limited	Beneficial interest	10,350,000	–	7.67%
Chelton Trading Limited	Interest of controlled corporation	–	10,350,000[1]	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	10,350,000[1]	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	2,989,500	69,953,106[2]	54.03%

Notes:

1. The shares were held by Earngold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Earngold Limited and, therefore, they were taken to be interested in 10,350,000 shares held by Earngold Limited.

2. Among these 69,953,106 shares, (a) Ms. Chan Koon Fung was taken to be interested in 10,350,000 shares through Earngold 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 49,203,445 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 5,999,661 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 4,400,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).

SUBSTANTIAL SHAREHOLDERS (Continued)

Other than as disclosed above, at 31 March 2019, 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 26 to the consolidated financial statements. Those related party transactions did not constitute connected transactions and/or constituted exempted connected transactions under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 9% (2018: 8%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 26% (2018: 25%) of the Group's total turnover.

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

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

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

The Company has received, from each of the Independent Non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

EMOLUMENT POLICY

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

The emoluments of the Directors of the Company are reviewed by the Remuneration and Nomination Committee, having regard to the Company's operating results, individual performance and market comparables.

Directors' Report

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 2019.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$555,000.

CORPORATE GOVERNANCE

The Board of the Company is committed to maintain high standards of corporate governance. The Company has complied throughout the year ended 31 March 2019 with the Corporate Governance Code as set out in Appendix 14 of 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 15 to 26 of the Annual 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 and pages 9 to 14 of the Management Discussion and Analysis.

An overview on the financial performance of the Group's business and business segment, financial resources, compliance with regulations, relationships with its key stakeholders and the principal risk and uncertainties are set out in pages 9 to 14 of the Management Discussion and Analysis while social responsibilities and environmental protection policies were set out in pages 15 to 36 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 business stakeholders.

Discussion on the above-mentioned issues provided from the Executive Director's Statement, Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report 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, 27 June 2019

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 46 to 95, which comprise the consolidated statement of financial position as at 31 March 2019, 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 a summary of significant accounting policies.

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 2019, 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 ("HKSAs") 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.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

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 2019, the Group's investment properties amounted to HK$3,635,100,000, representing approximately 72% of the Group's total assets. During the year, an increase in fair value of investment properties of HK$227,873,000 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 13 to the consolidated financial statements. The valuations were dependent on certain key inputs that involve the management's judgments, including capitalisation rates and market unit rents of individual units.	Our procedures in relation to the valuation of investment properties included: • Evaluating the competence, capabilities and objectivity of the independent qualified professional valuers; • Understanding the independent qualified professional valuers' valuation process and methodologies, the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used 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 and capitalisation rates adopted 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.

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 HKSAs 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 HKSAs, 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.

- 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, related safeguards.

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 Keung To Wai, David.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
27 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**142,275**	123,515
Income from godown operations		**24,411**	22,195
Income from property investment		**93,947**	85,257
Interest income		**16,866**	4,990
Dividend income		**7,051**	11,073
Other gains and losses		**(19,280)**	12,478
Exchange (loss) gain, net		**(4,537)**	289
Gain on disposal of property, plant and equipment		**7**	–
Loss on disposal of subsidiaries	24	**–**	(1,510)
Increase in fair value of investment properties	13	**227,873**	412,146
Staff costs		**(15,493)**	(12,821)
Depreciation of property, plant and equipment		**(16,283)**	(9,409)
Other expenses		**(23,755)**	(26,123)
Profit before taxation	9	**290,807**	498,565
Taxation	10	**(11,765)**	(27,352)
Profit for the year attributable to owners of the Company		**279,042**	471,213
Other comprehensive income for the year			
Item that will not be reclassified to profit or loss:			
Revaluation surplus on transfer of owner-occupied properties to investment properties		**110,121**	78,092
		110,121	78,092
Total comprehensive income for the year attributable to owners of the Company		**389,163**	549,305
Earnings per share – Basic	12	**HK$2.07**	HK$3.49

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	**2019**	2018
		HK$'000	*HK$'000*
Non-current assets			
Investment properties	13	**3,635,100**	3,398,200
Property, plant and equipment	14	**188,980**	85,807
Debt instrument at amortised cost	15	**23,244**	–
Held-to-maturity investment	15	**–**	23,241
		3,847,324	3,507,248
Current assets			
Investments held for trading	16	**292,744**	384,219
Trade and other receivables	17	**22,775**	28,606
Tax recoverable		**–**	1,390
Bank deposits	18	**757,584**	311,904
Other deposits	18	**84,150**	285,280
Bank balances and cash	18	**17,541**	181,170
		1,174,794	1,192,569
Current liabilities			
Other payables	19	**32,249**	24,153
Tax payable		**20,335**	17,328
		52,584	41,481
Net current assets		**1,122,210**	1,151,088
		4,969,534	4,658,336
Capital and reserves			
Share capital	20	**178,216**	178,216
Reserves		**4,708,893**	4,395,330
Equity attributable to owners of the Company		**4,887,109**	4,573,546
Non-current liabilities			
Long-term tenants' deposits received		**15,662**	20,428
Deferred tax liabilities	21	**66,185**	63,950
Provision for long service payments	22	**578**	412
		82,425	84,790
		4,969,534	4,658,336

The consolidated financial statements on pages 46 to 95 were approved and authorised for issue by the Board of Directors on 27 June 2019 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Gan Khai Choon
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital *HK$'000*	Property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2017	178,216	215,821	3,803,004	4,197,041
Profit for the year	–	–	471,213	471,213
Revaluation surplus on transfer of owner-occupied properties to investment properties	–	78,092	–	78,092
Total comprehensive income for the year	–	78,092	471,213	549,305
Dividends paid *(note 11)*	–	–	(172,800)	(172,800)
At 31 March 2018	178,216	293,913	4,101,417	4,573,546
Profit for the year	–	–	279,042	279,042
Revaluation surplus on transfer of owner-occupied properties to investment properties	–	110,121	–	110,121
Total comprehensive income for the year	–	110,121	279,042	389,163
Dividends paid *(note 11)*	–	–	(75,600)	(75,600)
At 31 March 2019	178,216	404,034	4,304,859	4,887,109

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Note	**2019** **HK$'000**	2018 HK$'000
Operating activities			
Profit before taxation		**290,807**	498,565
Adjustments for:			
Unrealised loss (gain) on investments held for trading		**5,694**	(2,621)
Gain on disposal of property, plant and equipment		**(7)**	–
Loss on disposal of subsidiaries		**–**	1,510
Increase in fair value of investment properties		**(227,873)**	(412,146)
Increase in fair value of derivative financial instrument		**–**	(110)
Addition of provision for long service payments		**166**	75
Exchange differences		**(3)**	(2)
Depreciation of property, plant and equipment		**16,283**	9,409
Operating cash flows before movements in working capital		**85,067**	94,680
Decrease (increase) in trade and other receivables		**5,831**	(12,076)
Decrease (increase) in investments held for trading		**85,781**	(67,977)
Increase (decrease) in other payables and long-term tenants' deposits received		**3,194**	(20,873)
Long service payments utilised		**–**	(75)
Cash from (used in) operations		**179,873**	(6,321)
Income tax paid		**(5,133)**	(7,414)
Net cash from (used in) operating activities		**174,740**	(13,735)
Investing activities			
Proceeds on disposal of subsidiaries, net	24	**–**	193,643
Proceeds on disposal of derivative financial instrument		**–**	15,159
Withdrawal of bank deposits		**3,521,692**	624,769
Additions of bank deposits		**(3,967,372)**	(373,139)
Withdrawal of other deposits		**522,305**	304,165
Additions of other deposits		**(321,175)**	(575,682)
Additions of investment properties		**(13,027)**	(21,054)
Purchase of property, plant and equipment		**(5,335)**	(8,416)
Proceeds from disposal of property, plant and equipment		**7**	–
Net cash (used in) from investing activities		**(262,905)**	159,445
Cash used in a financing activity			
Dividends paid		**(75,464)**	(179,721)
Net decrease in cash and cash equivalents		**(163,629)**	(34,011)
Cash and cash equivalents at beginning of the year		**181,170**	215,181
Cash and cash equivalents at end of the year		**17,541**	181,170
Analysis of cash and cash equivalents			
Bank balances and cash		**17,541**	181,170

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 the director of the Company's subsidiaries. The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The Company is engaged in investment holding and treasury investment. The principal activities of its principal subsidiaries are set out in note 31.

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

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 in the current year:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

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 performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

2.1 HKFRS 15 "Revenue from Contracts with Customers"

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and the related interpretations.

The Group recognises revenue from the following major sources:

- godown operations
- property investment
- treasury investment

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in notes 5 and 3 respectively.

Summary of effects arising from initial application of HKFRS 15

The application of HKFRS 15 has no significant impact on the timing and amounts of revenue recognised in the current year and retained profits at 1 April 2018.

2.2 HKFRS 9 "Financial Instruments"

In the current year, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for i) the classification and measurement of financial assets and financial liabilities and ii) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

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

2.2 HKFRS 9 “Financial Instruments” (Continued)

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 “Financial Instruments: Recognition and Measurement”.

Accounting policies resulting from application of HKFRS 9 are disclosed in note 3.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Held-to-maturity investment *HK$'000*	**Debt instrument at amortised cost** *HK$'000*
Closing balance at 31 March 2018 – HKAS 39	23,241	–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From held-to-maturity investment *(Note a)*	(23,241)	23,241
At 1 April 2018	–	23,241

Notes:

(a) Held-to-maturity investment to debt instrument at amortised cost

Listed bond previously classified as held-to-maturity investment is reclassified and measured at amortised cost upon application of HKFRS 9. The Group intends to hold the assets to maturity to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding. There was no difference between the previous carrying amount and the revised carrying amount at 1 April 2018.

(b) Investments held for trading

The Group has reassessed its investments in equity securities classified as held for trading under HKAS 39 as if the Group had purchased these investments at the date of initial application. Based on the facts and circumstances as at the date of initial application, HK$384,219,000 of the Group’s investments were held for trading and continued to be measured at fair value through profit or loss (“FVTPL”).

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for trade receivables. Except for those which had been determined as credit impaired under HKAS 39, trade receivables have been assessed collectively using a provision matrix grouped based on past due analysis.

ECL for other financial assets at amortised cost, including bank deposits, other deposits, bank balances, other receivables and debt instrument at amortised cost, are assessed on 12-month ECL (“12m ECL”) basis as there had been no significant increase in credit risk since initial recognition.

The directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No impairment allowance was recognised at 1 April 2018 as the amount involved is insignificant.

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

2.3 Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

New and amendments to HKFRS in issue but not yet effective

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

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after a date to be determined
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective for annual periods beginning on or after 1 January 2020

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 *"Leases"*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

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

HKFRS 16 *"Leases"* (Continued)

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and interest portion which will be both presented as financing cash flows by the Group.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

In addition, the Group currently considers the refundable short-term tenants' deposits received of HK$18,154,000 (included in other payables) and long-term tenants' deposits received of HK$15,662,000 as obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits received would be considered as advance lease payments.

The application of new requirements may result in changes in measurement, presentation and disclosures as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based Payment”, leasing transactions that are within the scope of HKAS 17 “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 is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals 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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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.

Changes in the Group's ownership interests in existing subsidiaries

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognition (prior to 1 April 2018)

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities as described below.

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

The Group's accounting policy for recognition of income from investment properties is described in the paragraph headed "Leasing" below.

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

Interest income from financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Investment properties

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

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including buildings, leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation is recognised so as to write off the cost of property, plant and equipment over their estimated useful lives, using the straight-line method. The estimated useful lives 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 tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible assets are 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. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a prorate basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest and dividend income which are derived from the Group’s ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income (“FVTOCI”):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; 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 the date of initial application/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 is not held for trading.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or 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 (upon application of HKFRS 9 in accordance with transitions in note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including debt instrument at amortised cost, trade and other receivables, bank deposits, other deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, 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.

(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. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, 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.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (Continued)

(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 60 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 of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(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, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (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 adjusted by 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.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group; bank deposits, other deposits and bank balances are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

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 receivables where the corresponding adjustment is recognised through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

Financial assets are classified into the following specified categories: financial assets at FVTPL, held-to-maturity investment and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

(i) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

(ii) Held-to-maturity investment

Held-to-maturity investment is a non-derivative financial asset with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investment is measured at amortised cost using the effective interest method, less any impairment.

(iii) Loans and receivables

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

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 30 days to 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

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.

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 "profit before taxation" as reported in the consolidated statement of profit or loss and other comprehensive income 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

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

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

For the purposes of measuring deferred tax 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 by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

Leasing

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

The Group as lessor

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasing (Continued)

Leasehold land and building

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

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).

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, annual leave and sick 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

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.

Key sources of estimation uncertainty

The followings 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$3,635,100,000 (2018: HK$3,398,200,000) which substantially based on the valuations performed by independent qualified professional valuers. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in profit or loss.

b. Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment with a carrying amount of HK$188,980,000 (2018: HK$85,807,000). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down assets that have been abandoned or sold.

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

c. Fair value measurements and valuation processes

Some of the Group's assets are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The management works closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The management reports the findings to the board of directors of the Company half yearly to explain the cause of fluctuations in the fair value.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain investment properties and financial instruments. Note 13 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of certain investment properties.

5. REVENUE

The amount represents the following revenue recognised during the year:

	2019	2018
	HK$'000	*HK$'000*
Income from godown operations *(note a)*	**24,411**	22,195
Income from property investment	**93,947**	85,257
Dividend income from listed investments	**7,051**	11,073
Bank interest income	**16,189**	4,308
Other interest income	**677**	682
	142,275	123,515

Notes:

(a) Total income from godown operations

	2019	2018
	HK$'000	*HK$'000*
Inward and outward coolie income	**2,538**	2,581
Transportation income and other income	**552**	442
Storage rental income	**21,321**	19,172
Total income from godown operations	**24,411**	22,195

5. REVENUE (Continued)

Notes: (Continued)

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

	2019 HK$'000	2018 HK$'000
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	**2,538**	2,581
Transportation income and other income (recognised at a point in time)	**552**	442
	3,090	3,023
Geographical market:		
Hong Kong	**3,090**	3,023

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 the executive director of the Company, for the purposes of resources allocation and performance assessment of each operating segment. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

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

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

For the year ended 31 March 2019

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Consolidated total HK$'000
Segment revenue	**24,411**	**93,947**	**23,917**	**142,275**
Segment profit (loss)	**8,526**	**66,218**	**(4,039)**	**70,705**
Increase in fair value of investment properties				**227,873**
Central administrative costs				**(7,771)**
Profit before taxation				**290,807**

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019 (Continued)

	Godown operations *HK$'000*	**Property investment** *HK$'000*	**Treasury investment** *HK$'000*	**Consolidated total** *HK$'000*
Assets				
Segment assets	**175,720**	**3,665,746**	**1,160,852**	**5,002,318**
Bank balances and cash				**17,541**
Unallocated other assets				**2,259**
Consolidated total assets				**5,022,118**
Liabilities				
Segment liabilities	**2,580**	**37,149**	**171**	**39,900**
Tax payable				**20,335**
Deferred tax liabilities				**66,185**
Unallocated other liabilities				**8,589**
Consolidated total liabilities				**135,009**

	Godown operations *HK$'000*	**Property investment** *HK$'000*	**Treasury investment** *HK$'000*	**Consolidated total** *HK$'000*
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	**242**	**5,093**	**–**	**5,335**
Depreciation of property, plant and equipment	**13,310**	**2,973**	**–**	**16,283**
Fair value loss on investments held for trading	**–**	**–**	**19,783**	**19,783**

For the year ended 31 March 2018

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated total *HK$'000*
Segment revenue	22,195	85,257	16,063	123,515
Segment profit	10,754	58,761	23,534	93,049
Increase in fair value of investment properties				412,146
Central administrative costs				(6,630)
Profit before taxation				498,565

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2018 (Continued)

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated total *HK$'000*
Assets				
Segment assets	72,523	3,425,592	1,006,966	4,505,081
Bank balances and cash				181,170
Tax recoverable				1,390
Unallocated other assets				12,176
Consolidated total assets				4,699,817
Liabilities				
Segment liabilities	1,744	35,615	48	37,407
Tax payable				17,328
Deferred tax liabilities				63,950
Unallocated other liabilities				7,586
Consolidated total liabilities				126,271

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated total *HK$'000*
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	1,499	27,971	–	29,470
Depreciation of property, plant and equipment	7,260	2,149	–	9,409
Fair value gain on derivative financial instrument	–	–	(110)	(110)
Fair value gain on investments held for trading	–	–	(12,063)	(12,063)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of increase in fair value of investment properties, other administrative costs, which include directors' fees, other expenses that are not directly related to the core businesses 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.

6. SEGMENT INFORMATION (Continued)

Information about major customers

The aggregate revenue attributable to the Group's five largest customers accounted for 26% (2018: 25%) of the Group's total revenue. The revenue attributable to the largest customer (included in both godown operations and property investment segments) in the current year amounted to HK$12,634,000 (2018: HK$9,794,000) which accounted for 9% (2018: 8%) of the Group's total revenue, and the revenue attributed to each of the remaining four customers are less than 9% (2018: 8%) of the Group's total revenue.

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. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable during the year to each of the five (2018: five) directors and the chief executive were as follows:

	Executive director	Non-executive director	Independent non-executive directors			
Name of directors	**Lu Wing Yee, Wayne**	**Lee Ka Sze, Carmelo**	**Gan Khai Choon**	**Lam Ming Leung**	**Leung Man Chiu, Lawrence**	**Total**
	HK$'000 *(Note)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019						
Fees	32	229	280	249	249	1,039
Other emoluments						
Salaries	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Retirement benefits scheme contributions	18	–	–	–	–	18
Total emoluments	50	229	280	249	249	1,057

7. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Name of directors	Executive director Lu Wing Yee, Wayne *HK$'000* *(Note)*	Non-executive director Lee Ka Sze, Carmelo *HK$'000*	Independent non-executive directors Gan Khai Choon *HK$'000*	Lam Ming Leung *HK$'000*	Leung Man Chiu, Lawrence *HK$'000*	Total *HK$'000*
2018						
Fees	51	248	278	248	248	1,073
Other emoluments						
Salaries	–	–	–	–	–	–
Discretionary bonus	–	–	–	–	–	–
Retirement benefits scheme contributions	18	–	–	–	–	18
Total emoluments	69	248	278	248	248	1,091

Note: Mr. Lu Wing Yee, Wayne has been taking sick leave since October 2011 and has voluntarily agreed to have payment of his salaries suspended. He gradually recovered from illness, and resumed part of his duties currently.

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.

Other than the above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

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

8. FIVE HIGHEST PAID EMPLOYEES

Of the five individuals with the highest emoluments in the Group, no director was included for both years. The emoluments of the five (2018: five) highest paid individuals were as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Salaries and other benefits	**3,123**	3,183
Discretionary bonus	**492**	229
Retirement benefits scheme contributions	**36**	36
	3,651	3,448

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

9. PROFIT BEFORE TAXATION

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	**1,000**	925
– non-audit services	**358**	384
Depreciation	**16,283**	9,409
Exchange loss (gain), net	**4,537**	(289)
Gross rental income from investment properties	**(93,947)**	(85,257)
Less: direct operating expenses for investment properties that generated rental income during the year	**8,253**	10,884
direct operating expenses for investment properties that did not generate rental income during the year	**635**	–
Net rental income	**(85,059)**	(74,373)
Dividend income from listed investments		
– investments held for trading	**(7,051)**	(11,073)
Bank interest income	**(16,189)**	(4,308)
Interest income from debt instrument at amortised cost/held-to-maturity investment	**(677)**	(682)
Fair value gain on derivative financial instrument *(note)*	**–**	(110)
Fair value loss (gain) on investments held for trading *(note)*	**19,783**	(12,063)

Note: Amount included in other gains and losses.

10. TAXATION

	2019	2018
	HK$'000	*HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	**9,715**	23,662
Overprovision in prior years	**(185)**	(611)
	9,530	23,051
Deferred taxation *(note 21)*		
Current year	**2,235**	4,301
	11,765	27,352

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, 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%.

10. TAXATION (Continued)

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 profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit before taxation	**290,807**	498,565
Tax at the domestic income tax rate of 16.5% (2018: 16.5%)	**47,983**	82,263
Tax effect of expenses not deductible for tax purpose	**2,037**	1,793
Tax effect of income not taxable for tax purpose	**(42,759)**	(54,082)
Tax effect of tax losses not recognised	**4,700**	300
Tax effect of utilisation of tax losses previously not recognised	**(22)**	(2,753)
Overprovision in prior years	**(185)**	(611)
Others	**11**	442
Taxation for the year	**11,765**	27,352

11. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend paid in respect of 2019 – HK28 cents (2018: HK28 cents) per ordinary share	**37,800**	37,800
Final dividend paid in respect of 2018 – HK28 cents (2017: HK12 cents) per ordinary share	**37,800**	16,200
Special dividend paid in respect of 2018 – HK$Nil (2017: HK88 cents) per ordinary share	**–**	118,800
	75,600	172,800

A final dividend of HK12 cents per share, amounting to HK$16,200,000 and a special dividend of HK88 cents per share, amounting to HK$118,800,000 have been proposed by the directors of the Company and are subject to the approval by shareholders in the forthcoming annual general meeting.

12. EARNINGS PER SHARE-BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$279,042,000 (2018: HK$471,213,000) and on 135,000,000 (2018: 135,000,000) shares in issue throughout both years.

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

13. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
AT FAIR VALUE		
At beginning of the year	**3,398,200**	3,081,000
Additions	**13,027**	21,054
Transfer from property, plant and equipment	**123,000**	79,000
Transfer to property, plant and equipment	**(127,000)**	–
Disposal of subsidiaries	**–**	(195,000)
Increase in fair value recognised in profit or loss	**227,873**	412,146
At end of the year	**3,635,100**	3,398,200

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.

During the year, certain owned properties have become investment properties because the Group had rented out the properties to an independent third party to earn rentals and/or for capital appreciation. Accordingly, the carrying amounts of the relevant owned properties have been transferred from property, plant and equipment to investment properties. The fair value at the dates of transfers of HK$123,000,000 (2018: HK$79,000,000) had been arrived at on the basis of valuations carried out by AA Property Services Limited, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value of those owned properties over the carrying amounts at the date of transfer of HK$110,121,000 (2018: HK$78,092,000) is recognised in property revaluation reserve.

Certain investment properties had become property, plant and equipment because the Group had commenced to self-occupy those properties. The properties' deemed cost for subsequent accounting period were their fair values at the date of change in use. The fair value at the dates of transfers of HK$127,000,000 had been arrived at on the basis of valuations carried out by AA Property Services Limited. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

In July 2017, the Group disposed of an investment property through disposal of a group of subsidiaries. The fair value of the investment property was valued at HK$195,000,000 at the date of disposal. Details of the disposal are set out in note 24.

The fair value of the Group's investment properties as at 31 March 2019 amounting to HK$3,635,100,000 (2018: HK$3,370,000,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and AA Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected to the Group. The directors of Messrs. Jones Lang LaSalle Limited and AA Property Services 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. This 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.

As at 31 March 2019, the Group did not have any investment properties which fair value was determined by the directors of the Company (2018: HK$28,200,000). The valuation performed by the directors of the Company was arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

The revaluation gave rise to a gain arising from changes in fair value of HK$227,873,000 (2018: HK$412,146,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

13. INVESTMENT PROPERTIES (Continued)

In determining the fair value of the investment properties, the Group engages independent qualified professional valuers to perform the valuation. The management works closely with the independent qualified professional valuers to establish the appropriate techniques and inputs to the model. The management reports the valuation reports and findings to the board of directors of the Company half yearly to explain the cause of fluctuations in the fair value of the investment properties.

There has been no change from the valuation technique used in prior year. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The 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 is 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
	2019	2018					
	HK$'000	*HK$'000*					
Industrial/office property in Kwun Tong – Lu Plaza	**3,014,000**	2,891,000	Level 3	Income capitalisation approach: The key inputs are: (i) capitalisation rate (ii) market unit rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 3.6% (2018: 3.7%).	The higher the capitalisation rate, the lower the fair value.	Note (a)
					Market unit rent, taking into account direct market comparables within the property.	The higher the market unit rent, the higher the fair value.	Note (b)
Industrial/godown premises in Kwai Chung – Safety Godown	**453,000**	370,000	Level 3	Income capitalisation approach: The key inputs are: (i) capitalisation rate (ii) market unit rent	Capitalisation rate, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, of 4% (2018: 5.2%).	The higher the capitalisation rate, the lower the fair value.	Note (a)
					Market unit rent, taking into account direct market comparables within the property.	The higher the market unit rent, the higher the fair value.	Note (b)

Notes:

(a) A significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.

(b) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

There were no transfers into or out of Level 3 during the year.

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and/or buildings of godown premises in Hong Kong *HK$'000*	Leasehold improvements, furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
COST				
At 1 April 2017	144,110	16,968	2,248	163,326
Additions	–	7,968	448	8,416
Transfer to investment properties	(2,371)	(405)	–	(2,776)
Written off	–	(3,143)	–	(3,143)
At 31 March 2018	141,739	21,388	2,696	165,823
Additions	–	5,335	–	5,335
Transfer from investment properties	127,000	–	–	127,000
Transfer to investment properties	(21,500)	–	–	(21,500)
Disposal/written off	–	–	(1,551)	(1,551)
At 31 March 2019	247,239	26,723	1,145	275,107
DEPRECIATION				
At 1 April 2017	58,911	14,459	2,248	75,618
Provided for the year	6,495	2,802	112	9,409
Transfer to investment properties	(1,868)	–	–	(1,868)
Eliminated on written off	–	(3,143)	–	(3,143)
At 31 March 2018	63,538	14,118	2,360	80,016
Provided for the year	12,539	3,632	112	16,283
Transfer to investment properties	(8,621)	–	–	(8,621)
Eliminated on disposal/written off	–	–	(1,551)	(1,551)
At 31 March 2019	67,456	17,750	921	86,127
CARRYING AMOUNTS				
At 31 March 2019	179,783	8,973	224	188,980
At 31 March 2018	78,201	7,270	336	85,807

During the year, the Group's owner-occupied properties with carrying amount of HK$12,879,000 (2018: HK$908,000) were transferred to investment properties upon commencement of an operating lease to an independent third party. Fair value of the owner-occupied property at the date of transfer amounted to HK$123,000,000 (2018: HK$79,000,000), and a surplus on revaluation of HK$110,121,000 (2018: HK$78,092,000) is credited to property revaluation reserve.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Leasehold land and/or buildings of godown premises in Hong Kong	Shorter of the useful life of the buildings or the unexpired term of the land lease (3% to 7% per annum)
Leasehold improvements, furniture, fixtures and equipment	25% per annum
Motor vehicles	25% per annum

At 31 March 2019, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK$8,880,000 (2018: HK$10,242,000).

15. DEBT INSTRUMENT AT AMORTISED COST/HELD-TO-MATURITY INVESTMENT

At 31 March 2019 and 31 March 2018, the Group held an unsecured senior note denominated in United States dollar ("US$") with a principal amount of US$3,000,000, equivalent to approximately HK$23,244,000 (2018: HK$23,241,000) issued by a financial institution, which bears interest at the rate of 3% per annum receivable semi-annually (the "Note"). The note will mature on 5 April 2020.

The directors consider that the carrying amounts of the note as at 31 March 2019 and 31 March 2018 approximate their fair values.

16. INVESTMENTS HELD FOR TRADING

	2019	2018
	HK$'000	*HK$'000*
Equity investments, at fair value:		
Listed in:		
Hong Kong	**73,286**	191,756
Switzerland	**18,185**	18,755
United Kingdom	**2,071**	6,349
United States	**50,501**	28,531
	144,043	245,391
Unlisted, investment funds at fair value	**110,591**	63,969
Unlisted, debt instruments at fair value	**38,110**	74,859
	292,744	384,219

17. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**5,899**	4,794
Less: allowance for credit losses	**–**	–
	5,899	4,794
Other receivables	**5,020**	3,022
Prepayments and deposits	**11,856**	20,790
	22,775	28,606

As at 31 March 2019 and 1 April 2018, trade receivables from contracts with customers amounted to HK$3,522,000 and HK$2,426,000 respectively.

The following is an ageing analysis of trade receivables of the Group presented based on the billing date:

	2019	2018
	HK$'000	*HK$'000*
Within 60 days	**5,821**	4,689
61-90 days	**71**	105
Over 90 days	**7**	–
	5,899	4,794

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.

As at 31 March 2019, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$85,000 which are past due as at the reporting date. Out of the past due balances, HK$7,000 has been past due 60 days or more and is not considered as in default. In the opinion of the directors of the Company, the trade receivables which are past due but not 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.

As at 31 March 2018, included in the Group's trade receivables balance were debtors with an aggregate carrying amount of HK$669,000 and which were past due by 1 to 60 days at the end of the reporting period for which the Group had not provided for impairment loss. The directors of the Company determined that those receivables were due from customers of good credit quality with no history of default and two to three months deposits were received from those tenants as security for their performance under the tenancy agreements. The Group did not hold any collateral from its other customers.

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

Details of impairment assessment of trade and other receivables for the year ended 31 March 2019 are set out in note 28(b).

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

The bank deposits are designated for treasury investment purpose.

Bank deposits are carrying interest at variable rates ranging from 0.1% to 3.25% (2018: 0.01% to 2.05%) per annum.

Other deposits represent deposits with security brokers which are carrying interest ranging from 0.01% to 0.79% (2018: at 0.1%) 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:

	2019	2018
	HK$'000	*HK$'000*
Bank deposits, other deposits and bank balances and cash denominated in:		
Australian dollar ("A$")	**–**	7,854
US$	**605,408**	295,883

For the year ended 31 March 2019, the Group performed impairment assessment on bank deposits, other deposits and bank balances and concluded that the probability of defaults of the counterparties are insignificant and accordingly, no allowance for credit losses is provided.

Details of impairment assessment of bank deposits, other deposits and bank balances for the year ended 31 March 2019 are set out in note 28(b).

19. OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Tenants' deposits	**18,154**	12,983
Receipts in advance	**2,830**	3,102
Dividend payable	**5,134**	4,998
Others	**6,131**	3,070
	32,249	24,153

20. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2017, 31 March 2018 and 31 March 2019	135,000	178,216

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

21. DEFERRED 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	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2017	60,338	(284)	60,054
Charge (credit) to profit or loss	4,308	(7)	4,301
Disposal of subsidiaries *(note 24)*	(405)	–	(405)
At 31 March 2018	64,241	(291)	63,950
Charge to profit or loss	2,216	19	2,235
At 31 March 2019	66,457	(272)	66,185

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

At 31 March 2019, the Group has estimated unused tax losses of HK$88,320,000 (2018: HK$60,080,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK$1,650,000 (2018: HK$1,761,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$86,670,000 (2018: HK$58,319,000) due to the unpredictability of future profit streams.

22. PROVISION FOR LONG SERVICE PAYMENTS

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

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

	2019	2018
	HK$'000	*HK$'000*
Balance brought forward	**412**	412
Addition	**166**	75
Utilisation during the year	**–**	(75)
Balance carried forward	**578**	412

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$410,000 (2018: HK$382,000).

23. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities 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 financing activities.

	Dividend payable
	HK$'000
At 1 April 2017	11,919
Non-cash changes – Dividends declared *(note 11)*	172,800
Changes from financing cash flows – Dividends paid	(179,721)
At 31 March 2018	4,998
Non-cash changes – Dividends declared *(note 11)*	75,600
Changes from financing cash flows – Dividends paid	(75,464)
At 31 March 2019	5,134

24. DISPOSAL OF SUBSIDIARIES

In July 2017, the Group disposed of 100% equity interest in Topgrade Enterprises Limited and its subsidiary (collectively referred to as the "Topgrade Group") to an independent third party at a cash consideration of HK$196,000,000.

Upon the completion of the disposal, the Topgrade Group ceased to be the subsidiaries of the Company and their financial results ceased to be consolidated in the consolidated financial statements of the Company.

The above transaction was accounted for as disposal of assets and liabilities through disposal of subsidiaries because these companies were holding an investment property without significant process applied at the date of the disposal. Details of the assets disposed and liabilities assumed were as below:

	HK$'000
Investment property	195,000
Trade and other receivables	565
Other payables	(7)
Deferred tax liabilities	(405)
	195,153
Consideration satisfied by:	
Cash consideration	196,000
Net assets disposed of	(195,153)
Expenses incurred on disposal	(2,357)
Loss on disposal of subsidiaries	(1,510)
Net cash inflow arising on disposal:	
Cash consideration	196,000
Expenses incurred on disposal	(2,357)
Net cash consideration received	193,643

25. OPERATING LEASES

The Group as lessor

Property rental income earned during the year is HK$93,947,000 (2018: HK$85,257,000). The properties held have committed tenants for terms ranging from ten months to five years (2018: one month to five years).

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

	2019	2018
	HK$'000	*HK$'000*
Within one year	**79,617**	77,571
In the second to fifth year inclusive	**87,650**	106,119
	167,267	183,690

26. RELATED PARTY DISCLOSURES

During the year, the Group and the Company received a reimbursement of expenses amounting to HK$240,000 (2018: HK$240,000) from a company which is taken to be controlled by Ms. Chan Koon Fung (spouse of the late Chairman Mr. Lu Sin) and Mr. Lu Wing Yee, Wayne, executive director of the Company, as he is one of the executors of the estate of Mr. Lu Sin. 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 directors' remuneration are disclosed in note 7. 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 30.

27. CAPITAL RISK MANAGEMENT

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

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

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

28. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2019 ***HK$'000***	2018 *HK$'000*
Financial assets		
Financial assets at amortised cost	**870,194**	–
Loans and receivables	**–**	786,170
Investments held for trading	**292,744**	384,219
Debt instrument at amortised cost	**23,244**	–
Held-to-maturity investment	**–**	23,241
Financial liabilities		
Amortised cost	**42,234**	40,933

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank and other deposits, bank balances and cash, investments held for trading, debt instrument at amortised cost/held-to-maturity investment, 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 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 and other deposits, debt instrument at amortised cost/held-to-maturity investment and investments held for trading of the Group are denominated in foreign currencies, and therefore the Group is exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management of the Group 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:

	2019	2018
	HK$'000	*HK$'000*
A$	**–**	7,854
US$	**850,032**	512,565

The HK$ is pegged to US$ and the 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% (2018: 5%) rate increase or decrease in HK$ against A$. 5% (2018: 5%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2018: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where HK$ weakened 5% (2018: 5%) against the relevant currencies. For a 5% (2018: 5%) strengthening of HK$ against the relevant currencies, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	2019	2018
	HK$'000	*HK$'000*
A$	**–**	328

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.

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk mainly in relation to variable-rate bank deposits (see note 18 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank deposits. The Group is also exposed to fair value interest rate risk in relation to debt instrument at amortised cost with interest at fixed rate.

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

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

(iii) Other price risk

The Group is exposed to equity price risk through its investments held for trading. The 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, the New York Stock Exchange, the SIX Swiss Exchange and the London Stock Exchange. In addition, 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% (2018: 10%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in equity price on investments.

If the prices of the investments held for trading had been 10% (2018: 10%) higher/lower, the Group's profit for the year ended 31 March 2019 would increase/decrease by HK$24,444,000 (2018: HK$32,082,000) as a result of the changes in fair value of investments held for trading.

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 maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2019 in relation to each class of recognised financial assets is the carrying amount of those assets in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its debt instrument at amortised cost, bank and other deposits, bank balances and trade and other receivables.

Debt instrument at amortised cost

The credit risk on debt instrument at amortised cost is limited as the counterparty is bank with high credit ratings assigned by international credit-rating agencies.

28. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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.

Trade receivables

In order to minimise the credit risk, the management of the Group 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, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

Other receivables

The credit risk on the Group's other receivables is limited 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	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 after due date	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

28. 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:

2019	*Notes*	**External credit rating**	**Internal credit rating**	**12m or lifetime ECL**	**Gross carrying amount**
					HK$'000
Debt instrument at amortised cost					
Senior note	15	A2	N/A	12m ECL	23,244
Financial assets at amortised cost					
Trade receivables	17	N/A	Note i	Lifetime ECL (provision matrix)	5,899
Other receivables	17	N/A	Note ii	12m ECL	5,020
Bank deposits	18	A1-Aa2	N/A	12m ECL	757,584
Other deposits	18	Baa3-Aa2	N/A	12m ECL	84,150
Bank balances	18	A1-Aa1	N/A	12m ECL	17,523

Notes:

i. For trade 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, the Group determines the expected credit losses on these items by using a provision matrix, grouped by ageing analysis.

   During the year ended 31 March 2019, no impairment allowance on trade receivables is provided based on the ECL assessment as the amount is considered insignificant.

ii. For other receivables, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. The credit risk on these 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.

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	
	2019	2018
	HK$'000	*HK$'000*
0-1 year	**26,571**	20,505
1-2 years	**7,553**	10,095
2-5 years	**8,110**	10,333
Total undiscounted cash flows	**42,234**	40,933
Carrying amounts	**42,234**	40,933

28. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

(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 31 March		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	2019	2018			
	HK$'000	*HK$'000*			
Investments held for trading					
Listed equity investments	**144,043**	245,391	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	**110,591**	63,969	Level 1	Quoted bid prices in an active market.	N/A
Unlisted debt instruments	**38,110**	74,859	Level 1	Quoted bid prices in an active market.	N/A

There were no transfers into or out of Level 1 during the year.

(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.

29. CAPITAL COMMITMENTS

	2019	2018
	HK$'000	*HK$'000*
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– refurbishment of investment properties	**14,554**	18,389
– acquisition of property, plant and equipment	**567**	1,792
	15,121	20,181

30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
Property, plant and equipment	**1,036**	1,633
Investments in subsidiaries	**81,882**	42,882
Amounts due from subsidiaries	**414,899**	487,296
	497,817	531,811
Current assets		
Trade and other receivables	**575**	10,584
Amounts due from subsidiaries	**1,044,766**	989,857
Bank deposits	**55,000**	4,583
Bank balances and cash	**10,913**	105,839
	1,111,254	1,110,863
Current liabilities		
Other payables	**7,947**	7,039
Amounts due to subsidiaries	**82,064**	40,661
Tax payable	**16,387**	16,333
	106,398	64,033
Net current assets	**1,004,856**	1,046,830
	1,502,673	1,578,641
Capital and reserve		
Share capital	**178,216**	178,216
Retained profits (note)	**1,324,196**	1,400,247
	1,502,412	1,578,463
Non-current liability		
Provision for long service payments	**261**	178
	1,502,673	1,578,641

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2019 and is signed on its behalf by:

Lu Wing Yee, Wayne
Director

Gan Khai Choon
Director

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

Note: Movement of retained profits

	Retained profits
	HK$'000
At 1 April 2017	1,487,409
Profit and total comprehensive income for the year	85,638
Dividends paid *(note 11)*	(172,800)
At 31 March 2018	1,400,247
Loss and total comprehensive expense for the year	(451)
Dividends paid *(note 11)*	(75,600)
At 31 March 2019	1,324,196

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries at 31 March 2019 and 2018 are as follows:

Name of company	Place of incorporation/ registration	Paid-up capital	Proportion of nominal value of issued capital held by the Company 2019	2018	Principal activities
Safety Logistics Services Limited	Hong Kong	HK$10,000,000 Ordinary shares	**100%**	100%	Operating godown
Chi Kee Investment Company Limited	Hong Kong	HK$500,000 Ordinary shares	**100%**	100%	Property investment
Chivas Godown Company Limited	Hong Kong	HK$10,000,000 Ordinary shares	**100%**	100%	Securities trading
Evertime Resources Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Securities trading
Foshan Investment Limited	British Virgin Islands	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
Rich China Development Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Securities trading
Tonichi Investment Limited	British Virgin Islands	US$1 Ordinary share	**100%**	100%	Securities trading

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. A complete list of all the Company's subsidiaries will be annexed to the next annual return of the Company.

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 2019 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq. ft.*	Type
The whole of Safety Godown (except G/F, M/F and 5/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	352,000	Industrial/godown premises

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq. ft.*	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 and 5/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	69,000	Industrial/godown premises