

Contents

	<i>Page</i>
Corporate Information	2
Biographical Information of Directors and Senior Management	3
Five-Year Financial Summary	5
Executive Director's Statement	6
Management Discussion and Analysis	11
Corporate Governance Report	15
Environmental, Social and Governance Report	30
Directors' Report	59
Independent Auditor's Report	64
Consolidated Statement of Profit or Loss and Other Comprehensive Income	68
Consolidated Statement of Financial Position	69
Consolidated Statement of Changes in Equity	70
Consolidated Statement of Cash Flows	71
Notes to the Consolidated Financial Statements	72
Particulars of Major Properties	122

Corporate Information

DIRECTORS

Executive Director

Mr. Lu Wing Yee, Wayne

Non-executive Director

Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

COMPANY SECRETARY

Ms. Mui Ngar May Joel

BANKERS

The Hongkong and Shanghai Banking Corporation Limited

Bank of China (Hong Kong) Limited

Industrial and Commercial Bank of China (Asia) Limited

MUFG Bank, Limited

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

Registered Public Interest Entity Auditors

REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

KEY DATES

Final Results Announcement

Annual General Meeting ("AGM")

Closure of Register of Members

Record Date for Final Dividend

Payment of Final Dividend

AUDIT COMMITTEE

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

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Ms. Oen Li Lin

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

INVESTMENT COMMITTEE

Mr. Lu Wing Yee, Wayne (*Chairman*)

Ms. Oen Li Lin

REGISTERED OFFICE

Unit 1801, 18th Floor, Lu Plaza

2 Wing Yip Street

Kwun Tong

Kowloon

Hong Kong

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

237

23 June 2022

19 August 2022

i) 16 to 19 August 2022 (both days inclusive) (to ascertain the shareholders' right to attend and vote at the AGM)

ii) 26 to 31 August 2022 (both days inclusive) (to ascertain the shareholders' right to dividend payment)

31 August 2022

16 September 2022

Biographical Information of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Lu Wing Yee, Wayne, aged 48, was appointed as an Executive Director of the Company on 12 December 2008. He has joined the Group since July 2001. Prior to his appointment as Executive Director, he was the Group Manager of the Group in charge of day-to-day operations of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu holds a master degree in business administration, a bachelor degree of science in business administration and a diploma in risk management. He is also a member of The American Institute of Certified Public Accountants. Mr. Lu had previously worked for audit firm, securities and brokerage firm and listed property company. Mr. Lu is also a director and shareholder of Kian Nan Financial Limited, which is a substantial shareholder of the Company as defined in Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”). He is the son of the late Mr. Lu Sin, former Chairman of the Company.

Mr. Lu is the Chairman of the Investment Committee of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, JP, aged 62, 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 senior partner of Woo Kwan Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is an independent non-executive director of China Mobile Limited (appointed on 18 May 2022) and KWG Property Holding Limited, and a non-executive director of Playmates Holdings Limited, all of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Mr. Lee was a non-executive director of four listed public companies in Hong Kong, namely CSPC Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited and Hopewell Holdings Limited and was an independent non-executive director of two listed public companies in Hong Kong, namely China Pacific Insurance (Group) Co. Ltd. and Esprit Holdings Limited.

Mr. Lee is a member of chairmen pool of the Listing Review Committee of the Stock Exchange, a convenor and a member of the Financial Reporting Review Panel of the Financial Reporting Council of Hong Kong, 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. Lam Ming Leung, aged 70, has been an Independent Non-executive Director of the Company since 1 January 2004. Mr. Lam was a director and general manager of The National Commercial Bank Limited, Hong Kong Branch.

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

Biographical Information of Directors and Senior Management

Mr. Leung Man Chiu, Lawrence, aged 74, has been an Independent Non-executive Director of the Company since 16 June 2006. He is also an independent non-executive director of Pak Fah Yeow International Limited and SMC Electric Limited; both are listed on the Stock Exchange. Mr. Leung was a non-executive director of World Super Holdings Limited, a company that is listed on the Stock Exchange. Mr. Leung was an independent non-executive director of PFC Device Inc. until its privatization on 25 March 2022. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now the Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 40 years. He has extensive experience in accounting and auditing and had served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practicing as a partner in Tang and Fok.

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

Ms. Oen Li Lin, aged 60, has been an Independent Non-executive Director of the Company since 16 November 2020. Ms. Oen is a 24-year veteran of the financial sector with extensive experience in corporate banking, credit research and risk management. Prior to retirement, she served as Senior Credit Officer at American International Assurance Co., Ltd. She holds a bachelor's degree in mathematics and a master's degree in statistics. She also received an MBA with a concentration in finance and accounting.

Ms. Oen is a member of the Audit Committee, the Remuneration and Nomination Committee and the Investment Committee of the Company.

SENIOR MANAGEMENT

Mr. Huang Hwei Ru, aged 73, is an Assistant General Manager of the Group. He is responsible for overall management of operations. He has joined the Group since 1976. Mr. Huang was also the supervisor of the Chivas Godown of the Group from 1991 to 2016.

Mr. Ng Gei, aged 74, is currently a consultant of Kian Nan Financial Limited, which is a substantial shareholder of the Company as defined in Part XV of the SFO. He is a director of a number of wholly-owned subsidiaries of the Company. He has joined the Group since 1973. He was the assistant to the late Chairman of the Company, Mr. Lu Sin from 1992 to 2015.

Ms. Tong Yuk Sim, Simmy, aged 59, is an Assistant General Manager of the Group. She is responsible for the leasing and property management of the Group's investment properties. She has joined the Leasing Department of the Group since January 1997 and was promoted as the Senior Manager in 2011. She holds the Postgraduate Diploma in Corporate Administration and Master of Science in Construction and Real Estate from the Hong Kong Polytechnic University. She is also a member of the Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and a holder of Estate Agent's Individual Licence from the Estate Agents Authority.

Five-Year Financial Summary

	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
Consolidated Statement of Profit or Loss and Other Comprehensive Income					
Turnover					
Godown operations	19,719	14,168	19,958	24,411	22,195
Property investment	96,095	91,396	96,651	93,947	85,257
Treasury investment	7,036	4,220	21,003	23,917	16,063
	<u>122,850</u>	<u>109,784</u>	<u>137,612</u>	<u>142,275</u>	<u>123,515</u>
(Loss) Profit attributable to owners of the Company					
Godown operations	3,016	(758)	3,562	8,526	10,754
Property investment	53,430	58,345	63,509	66,218	58,761
Treasury investment	15,580	47,611	(29,042)	(4,039)	23,534
Gain on disposal of property, plant and equipment	–	–	8	7	–
(Decrease) Increase in fair value of investment properties	(136,558)	(232,333)	(307,600)	227,873	412,146
Other administrative costs	(7,982)	(8,850)	(9,714)	(7,778)	(6,630)
	<u>(72,514)</u>	<u>(135,985)</u>	<u>(279,277)</u>	<u>290,807</u>	<u>498,565</u>
Taxation	(12,024)	(11,596)	(13,250)	(11,765)	(27,352)
	<u>(84,538)</u>	<u>(147,581)</u>	<u>(292,527)</u>	<u>279,042</u>	<u>471,213</u>
(Loss) Profit for the year attributable to owners of the Company	<u>(84,538)</u>	<u>(147,581)</u>	<u>(292,527)</u>	<u>279,042</u>	<u>471,213</u>
Core earnings	<u>52,020</u>	<u>84,752</u>	<u>15,065</u>	<u>51,162</u>	<u>59,067</u>
Consolidated Statement of Financial Position					
Total assets	4,175,960	4,466,882	4,658,248	5,022,118	4,699,817
Total liabilities	(147,824)	(143,608)	(138,793)	(135,009)	(126,271)
Equity attributable to owners of the Company	<u>4,028,136</u>	<u>4,323,274</u>	<u>4,519,455</u>	<u>4,887,109</u>	<u>4,573,546</u>
Per Share					
(Loss) Earnings per share	(HK\$0.21)	(HK\$0.36)	(HK\$0.72)	HK\$0.69	HK\$1.16
Core earnings per share (Note 1)	HK\$0.13	HK\$0.21	HK\$0.04	HK\$0.13	HK\$0.15
Dividends per share	HK10 cents	HK57 cents	HK5.67 cents	HK42.67 cents	HK18.67 cents
Dividend payout ratio (Note 2)	77.85%	272.38%	152.26%	337.70%	127.99%
Net asset value per share	HK\$9.95	HK\$10.67	HK\$11.16	HK\$12.07	HK\$11.29
Ratios					
Return on average shareholder's funds	-2.02%	-3.34%	-6.22%	5.90%	10.74%
Current ratio	18.55:01	21.05:1	21.91:1	22.34:1	28.75:1
Gearing ratio (Note 3)	–	–	–	–	–
P/E ratio (Note 4)	N/A	N/A	N/A	6.72	5.01

Notes:

- Core earnings per share is calculated based on (loss) profit for the year attributable to shareholders after adjusting the effect on unrealised fair value changes in investment properties and gain on disposal of property, plant and equipment.
- The dividend payout ratio is calculated based on the total dividend distribution including the interim dividend paid and final dividend and special dividend (if any) proposed for the year and the (loss) profit for the year attributable to shareholders after adjusting the effect on unrealised fair value changes in investment properties.
- Gearing ratio is calculated at the ratio of total interest-bearing loans to total assets of the Group as at 31 March for each year. As there were no borrowings during the past 5 years, the gearing ratios for the 5 years were therefore equal to zero.
- Based on closing price as at 31 March for each year.

Executive Director's Statement

I hereby present the annual results of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2022 (the "Period").

DIVIDENDS

The Board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK6 cents per share (2021: a final dividend of HK5 cents per share and a special dividend of HK43 cents per share), amounting to HK\$24,300,000 (2021: HK\$194,400,000) for the Period to the shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 31 August 2022 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM") on 19 August 2022. The proposed final dividend will be dispatched to the Shareholders on 16 September 2022.

Together with the interim dividend of HK4 cents per share already paid on 11 January 2022, the total distribution for the Period will amount to approximately HK10 cents per share (2021: HK57 cents per share).

BUSINESS REVIEW

During the Period, the loss attributable to the Shareholders was approximately HK\$84,538,000, representing a decrease of approximately 43% as compared with a loss of approximately HK\$147,581,000 for the corresponding period in 2021. The revenue increased by approximately 12% from HK\$109,784,000 to HK\$122,850,000. The loss per share decreased from approximately HK\$0.36 to HK\$0.21.

Excluding the fair value loss on investment properties, the Group's core earnings decreased by approximately 34% from HK\$96,348,000 to HK\$64,044,000.

The Group recorded loss before taxation of HK\$72,514,000 (2021: a loss of HK\$135,985,000), representing a decrease of approximately 47%.

Godown operations segment

As mentioned in the interim report of 2021/22, due to the dissipating impact of the social unrest and COVID-19 pandemic, the overall revenue of the godown operations segment during the Period showed improvement when compared with that of last year. Despite the Omicron outbreak which caused the drop of turnover rate, the overall storage volume remained at the level of 15,000 cubic meters ("CBM") as at 31 March 2022. Revenue mix reflected increased contribution from fast-moving consumer goods, a shift from past reliance on industrial raw materials (e.g. paper and textile raw materials).

During the Period, the revenue and profit of the segment increased by approximately 39% to HK\$19,719,000 from HK\$14,168,000 and turned around to a profit of HK\$3,016,000 from a loss of HK\$758,000, respectively. The average utilisation rate resumed to approximately 48% (based on the maximum capacity of 30,100 CBM) from 36% (based on the maximum capacity of 31,100 CBM) whilst the average rent per CBM increased to approximately HK\$95.

Property investment segment

During the Period, the total rental revenue increased by approximately 5% to HK\$96,095,000 (2021: HK\$91,396,000) and the segment's profit (excluding fair value loss on investment properties) decreased by approximately 8% to HK\$53,430,000 (2021: HK\$58,345,000).

During the Period, the rental revenue of Lu Plaza which is the major property investment of the Group increased by approximately 5% to HK\$75,661,000 from HK\$72,124,000. The average occupancy rate of Lu Plaza increased by approximately 4.1% to approximately 84%. Excluding a total of approximately 6,200 square feet leased to NGOs and charities at below market rental rates, the average occupancy rate of Lu Plaza recorded an increase of approximately 3.5%.

Executive Director's Statement

The official launch of Lu Plaza's multi-function business centre "The LU+" on 25 June 2021 has signified turning over a new page. At the time of opening ceremony, the Group specifically organized a fundraising event "Let's Reach for the Sky" with Baptist Oi Kwan Social Service. Subsequently, the Group was very honored and grateful to have Mr. Lam Kwong Siu and Dr. Tan Siu Lin visited "The LU+" business centre and shared their valuable opinions with us. "The LU+" was very well received and more than 100 events had been hosted at "The LU+" by different chambers of commerce, NGOs and tenants. The Group will continue to leverage on its past work and make use of "The LU+" to pursue diverse social and economic value, and enhance profitability.

The newly designed website and Facebook Page for both Lu Plaza and the "The LU+" have been launched to attract more viewers and enhance the image of Lu Plaza.

Treasury investment segment

The revenue and profit increased by approximately 67% to HK\$7,036,000 (2021: HK\$4,220,000) and decreased by 67% to HK\$15,580,000 (2021: HK\$47,611,000), respectively. The increase in revenue was attributable to the increase in dividend income and the decrease in profit was attributable to the decrease in fair value gain on the financial assets at fair value through profit and loss, including stocks, bonds, non-physical gold and investment funds.

During the Period, a total of 8,400 ounces non-physical gold was disposed of (including the disposal of 4,600 ounces non-physical gold on 23 August 2021 and the disposals of 3,800 ounces non-physical gold in aggregate between 11 February 2022 and 15 March 2022). The disposals recorded a gain of approximately HK\$7.67 million. In addition to the disposal of 1,000 ounces non-physical gold on 26 April 2022, the current portfolio's position in investment of non-physical gold is 4,200 ounces. Details of the disposals can be referred to the announcements dated 24 August 2021 and 27 April 2022. In view of higher interest rates, the net proceeds from the disposals have been allocated to time deposits in the meantime. Investment portfolio will be re-allocated after the recent corrections in financial markets.

To enhance the transparency of the Group's investment portfolio, the asset allocation as at 31 March 2022 is listed below:

	HK\$ million
Hong Kong stocks	74
Foreign stocks	65
Bonds	40
Investment funds	76
Non-physical gold	78
	<hr/>
Total:	<u>333</u>

Executive Director's Statement

OUTLOOK

The emergence and widespread outbreak of the highly transmissible Omicron variant of the COVID-19 in November 2021 triggered a new round of stringent epidemic control measures and partial lockdowns which has severely impacted all walks of life in Hong Kong. The operations of catering and a wide range of retail businesses almost completely paused during the outbreak period. Given the uncertainty in association with the developments of the fifth wave of COVID-19 pandemic and potential lockdown arising from the compulsory universal testing planned by the HKSAR Government, the Hong Kong economy reported a worse-than-expected performance in the first quarter of 2022 and the HKSAR Government has downgraded the economic forecast for 2022 accordingly. The overall economic recovery will be delayed. From the global perspective, the world economy is navigating through the challenges caused by the inflationary pressures driven by rising oil prices, supply chain disruptions, rate-hiking cycle, geopolitical tensions and Ukraine war amid the easing of COVID-19 restrictions and economic reopening by many countries one by one. Given the gradual relaxation of social distancing measures and new round of consumption voucher scheme, it is anticipated that the Hong Kong economy will start to improve from the third quarter of 2022.

Godown Operations

Even though the Omicron outbreak has caused an unprecedented impact, the HKSAR Government has managed to make tremendous effort to implement extensive isolation and quarantine measures and vaccination arrangements. At present, the pandemic tends to be stable and within a controllable range. The daily infection cases range from a few hundreds to a thousand level in June up to now. After the fifth wave outbreak experience, it is believed that the HKSAR Government, business community and Hong Kong people are poised to cope with any new developments of COVID-19. Should the current circumstances continue, the business volume of godown operations is expected to maintain at the level of around 15,000 CBM as at 31 March 2022. Godown space utilisation is expected to enhance. Further business growth will hinge on the overall economic recovery, rebound of trade activity and consumers spending and orderly relaxation of preventative measures.

Property Investment

The occupancy rate of Lu Plaza dropped to below 80% at the worst times of economic downturn and raised to approximately 89% as at 31 March 2022. Given the abundant supply of new office space in the Kowloon East, the rental rates are subdued. The Group will continue to use its best efforts to attract more tenants by means of marketing campaigns, better property management and auxiliary facilities, and the "The LU+" business centre platform.

Because of the inverse relationship between interest rates and investment property values, if interest rate continues to rise, a loss arising from a change in the fair value of investment properties may be recognised upon future revaluations.

Treasury Investment

Given financial and economic fluctuations are being stoked by the global economic downturn and geopolitical tensions, the returns on stock investments and bond investments are affected. The current global financial markets will cause uncertainty on the returns on stock investments. The investment committee of the Group will continue to prudently monitor the ongoing developments on the market environment in order to make timely asset allocation for the investment portfolio.

As at 31 March 2022, the Group had total cash and bank balances amounted to approximately HK\$614,774,000, of which approximately HK\$414,538,000 was placed as time deposits and part of the balance was allocated for treasury investment.

The Group will remain cautious on the overall operating environment and the evolving development of the pandemic with an aim to responding to any existing and future challenges on its operations swiftly so as to safeguard the assets of the Group and maximise the Shareholders' value.

Executive Director's Statement

NEW BUSINESS – MYSTOREY

A soft opening of the Group's new self-storage business "MYSTOREY" in Kwai Chung took place in early 2021. The marketing promotion was impacted by the COVID-19, the business performance was unsatisfactory at the beginning. As at 31 March 2022, the occupancy rate was approximately 32% (based on the total floor area of 3,017 square feet). Since the second quarter of 2022, by fine tuning the marketing strategies and targeted customer group, the occupancy rate increased to approximately 44.7% as at 31 May 2022.

Since Hong Kong is highly populated, the average living space per person is small. Based on the experience accumulated from the first business location of "MYSTOREY", the Group is actively considering appropriate premises to expand the operational scale of "MYSTOREY" in different locations in the New Territories including Kwai Chung, Tsuen Wan and Ching Yi with aim to achieve an economy of scale.

CORPORATE GOVERNANCE AND IMPROVEMENT

The Group is committed to the principles of environmental, social and governance. The Group strives to provide suitable jobs and life balance to staff members who are encouraged to pursue lifelong learning, and to embrace diligence and good work ethics. The Group will continue to provide on-the-job training and further studies to staff members to enhance their work performance.

In the past year, the Group made substantial efforts to improve operational workflows with certain success. I will work closely with the Directors, internal auditor and the Management to follow up and improve the identified issues related to risk management and internal control.

The Group will upgrade the accounting system and other operational systems between 2022 to 2023 to improve work efficiency and increase the visibility of operational data for better decision making and cost control purposes. System upgrade may not bring short-term economic efficiency and will incur extra investment cost. However, suitable trainings and better use of system functionalities will give rise to long-term financial benefits.

DIVIDEND POLICY

In the past year, enquiries from the Shareholders and potential investors regarding the Group's dividend policy were received.

The Group's dividend policy can be referred to on page 27. The late Mr. Lu Sin (the former Chairman of the Company) committed on equitable treatment of all Shareholders. While the Group continues to uphold this principle, there is no guarantee of periodic payments of special dividends.

The Group is currently searching for investment opportunities (including but not limited to additional business locations of "MYSTOREY"). Therefore, capital need for investment opportunities may increase in the near future. It is possible that surplus cash will be utilised for investment projects to enhance profitability instead of paying out as special dividends.

Executive Director's Statement

SPECIAL THANKS

A special thanks goes to Mr. Ng Gei who was an Assistant General Manager of the Group and had served the Group for a period of close to half century. Since joining the Group, Mr. Ng had assisted the late Mr. Lu Sin in the development of the Group. Mr. Ng's diligence, integrity and passion are highly appreciated. Mr. Ng retired from his position by the end of 2021. At present, Mr. Ng stays on as a director of several wholly-owned subsidiaries of the Company and a consultant of Kian Nan Financial Limited, which is the major shareholder of the Company.

I also would like to congratulate Ms. Simmy Tong on her promotion as an Assistant General Manager of the Group. Ms. Tong has served the Group for 25 years and has been responsible for the leasing management of Lu Plaza and other investment properties. I am confident that Ms. Tong will continue to leverage on her past achievements to further develop the leasing business of the Group.

I would like to take this opportunity to thank my fellow Directors and staff members for their dedication and hard work. The Board would like to express its gratitude to the Shareholders for their trust, and to the stakeholders for their contributions and continuous support to the Group.

Lu Wing Yee, Wayne

Executive Director

Hong Kong, 23 June 2022

Management Discussion and Analysis

FINANCIAL OVERVIEW

For the year ended 31 March 2022 (the “Period”), the Group’s loss attributable to the Shareholders was HK\$84,538,000 (2021: loss of HK\$147,581,000) whilst the core earnings based on loss attributable to the Shareholders netted off the fair value loss on investment properties of HK\$136,558,000 (2021: loss of HK\$232,333,000) decreased by approximately 39% to HK\$52,020,000 (2021: HK\$84,752,000). Total revenue increased by approximately 12% to HK\$122,850,000 (2021: HK\$109,784,000).

During the Period, a total dividend payment of HK\$210,600,000 (2021: HK\$48,600,000) was paid. As at 31 March 2022, the consolidated shareholders’ fund and net asset value per share of the Company amounted to HK\$4,028,136,000 (31 March 2021: HK\$4,323,274,000) and HK\$9.95 (31 March 2021: HK\$10.67), respectively. Loss per share for the Period registered at HK\$0.21 (2021: loss per share of HK\$0.36).

Godown operations segment

During the Period, the revenue and profit of godown operations increased by approximately 39% to HK\$19,719,000 (2021: HK\$14,168,000) and turned around to a profit of HK\$3,016,000 (2021: a loss of HK\$758,000), respectively. The profit margin increased to approximately 15% (2021: negative profit margin of 5%).

The average utilisation rate increased to approximately 48% (based on the total capacity of 30,100 cubic meters (“CBM”)) from 36% (based on the total capacity of 31,100 CBM). The average rent per CBM increased by approximately 3% to approximately HK\$95 (2021: HK\$92).

Methodology of calculating Key Performance Data:

- Definition and calculation: Average utilisation rate is the percentage of the occupied capacity available for storage. Average rent per CBM is the average storage rent per CBM of cargo stored.
- Source of underlying data: Internal company data
- Assumption: Maximum capacity of the godown is 30,100 CBM (2021: 31,100 CBM).
- Purpose: Utilisation rate and average storage rent per CBM are the key drivers for performance.

Property investment segment

Total rental income and profit of the property investment segment increased by approximately 5% to HK\$96,095,000 (2021: HK\$91,396,000) and decreased by approximately 8% to HK\$53,430,000 (2021: HK\$58,345,000) compared with the corresponding period of last year, respectively.

The rental revenue generated from Lu Plaza which is the major investment property of the Group amounted to HK\$75,661,000 (2021: HK\$72,124,000), representing an increase of approximately 5% (2021: a decrease of 6%). As at 31 March 2022, the occupancy rate of Lu Plaza increased to approximately 89% (31 March 2021: 80%).

As at 31 March, 2022, the fair value of the Group’s investment properties amounted to HK\$2,966,340,000 (31 March 2021: HK\$3,101,400,000) based on an unrealised fair value loss of HK\$136,558,000 (2021: loss of HK\$232,333,000) which was recognised through the profit or loss of the Period.

Management Discussion and Analysis

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy rate is the percentage of lettable floor area (“LFA”) occupied by existing tenants. Average monthly rental income per square feet (“sq. ft.”) is the average rental income received per sq. ft. of LFA leased.
- Source of underlying data: Internal company data
- Purpose: Occupancy rate and average monthly rental income per sq. ft. are the key drivers for performance.
- No changes have been made to the source of data or calculation methods used compared to 2021.

Treasury investment segment

The revenue and profit of the treasury investment segment increased by approximately 67% to HK\$7,036,000 (2021: HK\$4,220,000) and decreased by approximately 67% to HK\$15,580,000 (2021: HK\$47,611,000) based on the realised and unrealised gains of HK\$2,749,000 (2021: HK\$14,190,000) and HK\$8,256,000 (2021: HK\$32,287,000), respectively. As of 31 March 2022, the financial assets at fair value through profit and loss valued at HK\$332,538,000 (2021: HK\$470,161,000), representing a decrease of approximately 29%.

During the Period, the Group’s foreign exchange exposure mainly related to United States dollar which is pegged to Hong Kong dollar. As at 31 March 2022, the Group’s foreign exchange risk was minimal.

OPERATING COSTS

During the Period, the staff costs increased by approximately 9% to HK\$16,796,000 (2021: HK\$15,434,000) and the depreciation increased by approximately 11% to HK\$25,054,000 (2021: HK\$22,538,000). The other operating expenses increased by approximately 21% to HK\$28,303,000 (2021: HK\$23,373,000).

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 2022 amounted to HK\$614,774,000 (31 March 2021: HK\$620,189,000). Most of the bank deposits were denominated in Hong Kong or United States dollars. The strong cash reserve position offers protection against unstable times and it also gives the Group more options for future investment opportunities. The Group has sufficient financial resources to continue to finance its operations.

The Group financed its operations mainly by its internal cash reserve and cash flows generated from operations. Recurring net cash flow from operating activities before movement in working capital amounted to HK\$81,814,000 (2021: HK\$87,074,000), decreased by approximately 6%. As at 31 March 2022, net current assets amounted to HK\$914,755,000 (31 March 2021: HK\$1,059,686,000) with a liquidity ratio (total current assets divided by total current liabilities) of 18.55 times (31 March 2021: 21.05 times).

The Group did not have any kind of loans or borrowings throughout the Period, therefore the gearing ratio was zero. As at 31 March 2022, the Group had a net asset value of HK\$4,028,136,000 (31 March 2021: HK\$4,323,274,000).

COMPLIANCE WITH REGULATIONS

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

Management Discussion and Analysis

RELATION WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The management considers its employees the key to sustainable business growth of the Group and is committed to providing all employees a safe and harassment free work environment with equal opportunities in relation to employment, reward management, training and career development. Workplace safety is the top priority of the management. This is of paramount importance that health and safety measures are followed by employees in performing their duties to reduce work injuries. The Group has in place a fair and effective performance appraisal system and incentive bonus scheme designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job related trainings and provides sponsorship/subsidies to employees who are committed to professional development and training.

As at 31 March 2022, the Group employed 36 (31 March 2021: 37) employees. Total staff cost was HK\$16,796,000 (2021: HK\$15,434,000). 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 one of the fundamentals of business. The Group fully understands this principle and thus maintain good relationship with customers to fulfil their immediate and long-term needs. For our customers of godown operations, we deliver high quality services to meet our customers' needs. For our property investment, we have engaged quality property management company to manage our major investment properties. Tenants' needs and feedbacks are communicated through the property management company from time to time to cater for tenants' requirements and ensure their satisfaction.

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

PRINCIPAL RISK AND UNCERTAINTY

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

Godown operations

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

Property investment

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

Management Discussion and Analysis

Treasury investment

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

The Group is exposed to financial risks related to interest rate, foreign currency, equity price, liquidity and credit risks in the normal course of the business. For further details of such risks and relevant management policies, please refer to Note 27 to the consolidated financial statements from pages 111 to 118.

GROUP'S ABILITY TO FUND CURRENT AND FUTURE OPERATIONS

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

DIVIDEND POLICY

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

For the details of the dividend paid and proposed dividend for the year, please refer to the Dividends section under Executive Directors' Statement on pages 6 to 10.

PLEDGE OF ASSETS

As at 31 March 2022, the Group did not pledge any of its assets.

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities.

CLOSURE OF MEMBERS REGISTER

To ascertain the Shareholders' entitlement to attend and vote at the AGM, the Register of Members will be closed from Tuesday, 16 August 2022 to Friday, 19 August 2022, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the AGM, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 15 August 2022.

To ascertain the Shareholders' entitlement to the proposed final dividend, the Register of Members will be closed from Friday, 26 August 2022 to Wednesday, 31 August 2022, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 25 August 2022.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

On 1 January 2022, the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) has been amended (the “New CG Code”) and majority of amendments apply to financial year commencing on or after 1 January 2022. The amendments to the New CG Code mainly include: alignment of company’s culture with its purpose, values and strategy; establishment of anti-corruption and whistleblowing policies; board independence and its diversity, etc.; and rearranging the structure of the code provisions and disclosure requirements. To reinforce and enhance our commitment to the highest level of corporate governance practices and integrity, the Company has adopted various code provisions in the New CG Code from the financial year 2022/23 onwards and will make necessary disclosure in corporate governance report in the next annual report under the new disclosure requirement. The code provision numbers in this report follow the code provision numbers of the CG Code before the New CG Code came into effect.

The Company has complied with all the code provisions that were in force as set out in the CG Code throughout the year ended 31 March 2022 except for the following deviations from code provisions A.2.1 to A.2.9, A.4.1, D.1.4, E.1.2 and F.1.3.

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

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

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

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

CG Code Provision E.1.2 stipulates that the Chairman of the Board should attend the annual general meeting. Since 5 April 2015, the position of the Chairman of the Board has been vacant, Mr. Lu Wing Yee, Wayne, the Executive Director, was elected and acted as the chairman of the annual general meeting of the Company held on 13 August 2021 in accordance with the Articles.

Corporate Governance Report

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 dealings by all Directors in the securities of the Company. All the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2022.

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
<i>Executive Director</i>		
Mr. Lu Wing Yee, Wayne	4/4	1/1
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	4/4	0/1
<i>Independent Non-executive Directors</i>		
Mr. Lam Ming Leung	4/4	0/1
Mr. Leung Man Chiu, Lawrence	4/4	1/1
Ms. Oen Li Lin	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 comments and records.

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

Corporate Governance Report

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

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

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board through the Remuneration and Nomination Committee, has assessed their independence and concluded that all the Independent Non-executive Directors are independent.

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

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.

All directors have declared that they have attended training during the year ended 31 March 2022 and the training received by each Director during the year ended 31 March 2022 is summarized as below:

Name of directors	Regulatory update and corporate governance matters	
	Reading materials	Attendance on seminars/internal discussions meetings
<i>Executive Director</i>		
Mr. Lu Wing Yee, Wayne	✓	✓
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	✓	✓
<i>Independent Non-executive Directors</i>		
Mr. Lam Ming Leung	✓	-
Mr. Leung Man Chiu, Lawrence	✓	✓
Ms. Oen Li Lin	✓	-

Corporate Governance Report

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 and (ii) the division of responsibilities between the chairman of the board and the chief executive officer should be clearly established.

The late Mr. Lu Sin, the founder of the Group, assumed the roles of both the Chairman and Managing Director of the Company. After passing away of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the chief executive officer of the Company have not been filled up as at the date of this report. Until the appointment of a new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board. At the same time until the appointment of a new chief executive officer, the Executive Director with the assistance of the senior management, will continue to oversee the day-to-day management of the business and operations of the Group.

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee was established in April 2004. A majority of the members are Independent Non-executive Directors. The Remuneration and Nomination Committee currently comprises of 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 Ms. Oen Li Lin.

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

New Directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. The nomination process, selection criteria and succession planning are set out in the policy for nomination adopted by the Board (the "Nomination Policy"). The emoluments of Directors are based on the skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability.

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

Corporate Governance Report

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

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

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

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

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

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

Members	Attendance/Number of meetings held during the year
Mr. Lam Ming Leung (<i>Chairman of the Committee</i>)	1/1
Mr. Lee Ka Sze, Carmelo	1/1
Mr. Leung Man Chiu, Lawrence	1/1
Ms. Oen Li Lin	1/1

Corporate Governance Report

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 recommending 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 2022 is set out below:

Remuneration bands (HK\$)	Number of person(s)
0 to 1,000,000	4

BOARD DIVERSITY POLICY

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

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

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

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

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

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

Corporate Governance Report

AUDIT COMMITTEE

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

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

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

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	Attendance/Number of meetings held during the year
Mr. Leung Man Chiu, Lawrence (<i>Chairman of the Committee</i>)	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Lam Ming Leung	2/2
Ms. Oen Li Lin	2/2

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

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

Corporate Governance Report

INVESTMENT COMMITTEE

The Investment Committee currently comprises of one Executive Director and one Independent Non-executive Director. The Committee is chaired by Mr. Lu Wing Yee, Wayne and the other member is Ms. Oen Li Lin.

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

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions as set out in the code provision 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 the Stock Exchange.

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 2022/23. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 19 August 2022.

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

Nature of services	2022	2021
	HK\$	HK\$
Review fee for interim results	209,000	195,000
Audit fee for final results	1,188,000	1,100,000
Taxation consultancy services fee	168,000	163,200
Internal control assessment and enterprise risk management advisory services	138,000	138,000
Consultancy service for Environmental, Social and Governance Reporting	128,000	90,000
	<hr/>	<hr/>
Total audit and non-audit services	1,831,000	1,686,200
	<hr/> <hr/>	<hr/> <hr/>

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.

Corporate Governance Report

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 64 to 67 of this Annual Report. The management of each business within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval.

RISK MANAGEMENT AND INTERNAL CONTROLS

Group Risk Management

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

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.

Corporate Governance Report

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.

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 weaknesses in order to enhance the internal control of operation procedures, systems and controls.

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

1. Crisis management;
2. Information technology general controls;
3. Building management; and
4. Warehouse operation.

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.

Corporate Governance Report

Management's confirmation on risk management

Based on the risk management mechanism and internal audit review activities mentioned in the aforesaid paragraphs, the management made a confirmation to the Board that the Company had maintained an effective risk management mechanism and internal control system during the financial year ended 31 March 2022.

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 2022 Annual General Meeting will be decided on poll. The Company's share registrar will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with the Listing Rules as soon as possible on the websites of the Stock Exchange and the Company respectively. The Chairman of shareholders' meeting will ensure that any vote of shareholders at the 2022 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.

SHAREHOLDERS' RIGHTS

(a) General meeting on requisition by shareholders

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

The request:

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

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

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

Corporate Governance Report

(b) Procedures for putting forward enquires to the Board

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

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

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

(c) Putting forward proposal at annual general meeting (“AGM”)

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

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

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.

Corporate Governance Report

(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 inquiries.

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.

Corporate Governance Report

SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Committed to the belief of creating profits for the interests of shareholders, the Group always persistently fulfils its social responsibilities towards society, environment and employees and actively participates in various charity activities.

For 19 consecutive years since 2003, the Group has been participating in the “Caring Company” programme initiated by the Hong Kong Council of Social Service, and was again awarded the “15 Years Plus Caring Company” logo this year. The logo was awarded by the Hong Kong Council of Social Service to qualified enterprises with the aim of motivating them to perform social responsibilities through caring for the community, employees and the environment and commit to developing a sustainable and cohesive society.

The employees also actively participated in volunteer activities. In 2021, the Group received the appreciation certificate and participation certificate for providing volunteer service issued by the Social Welfare Department as recognition of their contributions.

The Group has also established the “Bursaries Scheme for Employees’ Children” to reduce the financial burden of employees in providing education for their children and encourage employees’ children to study hard, hoping that they will succeed in their studies and give back to society.

At the opening ceremony of “The LU+” Business Centre at Lu Plaza of the Group held on 25 June 2021, a charity event was also organised in collaboration with Baptist Oi Kwan Social Service. We invited the Hong Kong Rope Skipping Club to demonstrate acrobatic fancy rope skipping. Guests and tenants of Lu Plaza actively participated in the event of the day themed “Charity Rope Skipping Marathon – Let’s Reach for the Sky”. The event featured rope skipping as the main theme because it could be done in limited space, thus encouraging citizens and businesses affected by the pandemic to gain the positive energy, resilience, and indomitable spirit of the athletes to forge ahead.

The Group donated HK\$1 to Baptist Oi Kwan Social Service for each skip and raised a six-digit donation in total to help grassroots citizens, especially the underprivileged women and young people to learn new work skills, enhance occupational training to weather the adversity, and build meaningful life.

The Group worked with Baptist Oi Kwan Social Service to implement a variety of service programmes, including funding the establishment of “Ratoon Beauté: Nail Garden” and “ERB ‘Manpower Development Scheme” to facilitate career transition of women at grassroots level and unemployed people and promote employment and economic development.

The Group made donations to and raised funds for “Caring Canteen” (“友膳飯堂”) by means of charity sale to distribute meals and food vouchers to the vulnerable minority groups and the elderly people, and provided the lobby on the ground floor of Lu Plaza for volunteers to hold the “Youth Entrepreneurship Programme” and charity sale of Chinese New Year food and items. During the pandemic, the Group donated to the Baptist Oi Kwan Social Service to dispense infection prevention supplies to low-income families and the solitary elderly.

The Group continuously supported various non-government organisations to provide infection prevention packets containing food and protective supplies for people at the grassroots level and distributed hot meals, canned food, and dry rations to the homeless, joining force with society to combat the pandemic. The Group also funded projects such as home repair and cleaning for the distressed elderly.

The Group donated scholarships and bursaries to primary and secondary schools as well as students studying abroad. Amidst the pandemic, we donated reusable masks to a number of schools and carried out photocatalyst disinfection spraying for school buildings.

Corporate Governance Report

Furthermore, we made donation to Evangel Children's Home to help children from low-income families with special needs by providing comprehensive day care and support services.

The Group encouraged employees to participate in the annual blood donation campaign organised by "Hong Kong Red Cross"; supported the "House Sponsorship Programme" of Po Leung Kuk; sponsored a series of activities organised by The Community Chest of Hong Kong, such as the "Community Chest – Skip Lunch Day" to benefit services for street sleepers, residents in cage homes and cubicles, the "Green Low Carbon Day" to benefit green related projects supported by The Community Chest by purchasing commemorative tickets, and the "Love Teeth Day" to enhance the oral health services for the needy. The Group also sponsored "The Drums of Hong Kong Resound", a drum show organised by Hong Kong Chinese Orchestra, and supported the Chung Ying Theatre to launch drama education and outreach programs for the elderly people, women, students and psychiatric outpatients, so as to support the arts and cultural industries.

The Group provided meeting rooms in The LU+ Business Centre at Lu Plaza free of charge to non-government organisations for organising a variety of cultural and physical fitness activities such as calligraphy, tea ceremony, drama, yoga and fitness classes to promote the development of recreational and cultural activities in the community.

The Group is committed to promoting and taking part in environmental protection projects, and encourages employees to recycle Chinese New Year red pockets, moon cake boxes, computer parts and electrical appliances. The Group establishes measures to enhance energy conservation and paper recycling at its offices and undertake the implementation plans to create a green work environment.

Amid the COVID-19 pandemic ravaging the globe for almost three years from 2019 to 2022, the Group adopted the following preventative measures to ensure the health and safety of its employees:

1. Since the end of 2020, the Company has arranged two offices for employees to work on different floors so they can maintain adequate social distancing, which not only allows the Company to quickly restore work efficiency, but also reduces the risks arising from employee gathering.
2. Immediately dividing the workforce into two groups to work from home alternately when the pandemic resurged in Hong Kong in February 2022.
3. Conducting photocatalyst disinfection spraying in the offices to reduce reproduction of bacteria and ensure a clean and hygienic work environment for employees.
4. Providing employees with Vitamin C supplements and medicines for unexpected needs.
5. Providing employees with rapid antigen test kits for them to take quick tests before leaving for work every day, so that employees can work with peace of mind.

Lu Wing Yee, Wayne
Executive Director

Hong Kong, 23 June 2022

Environmental, Social and Governance Report

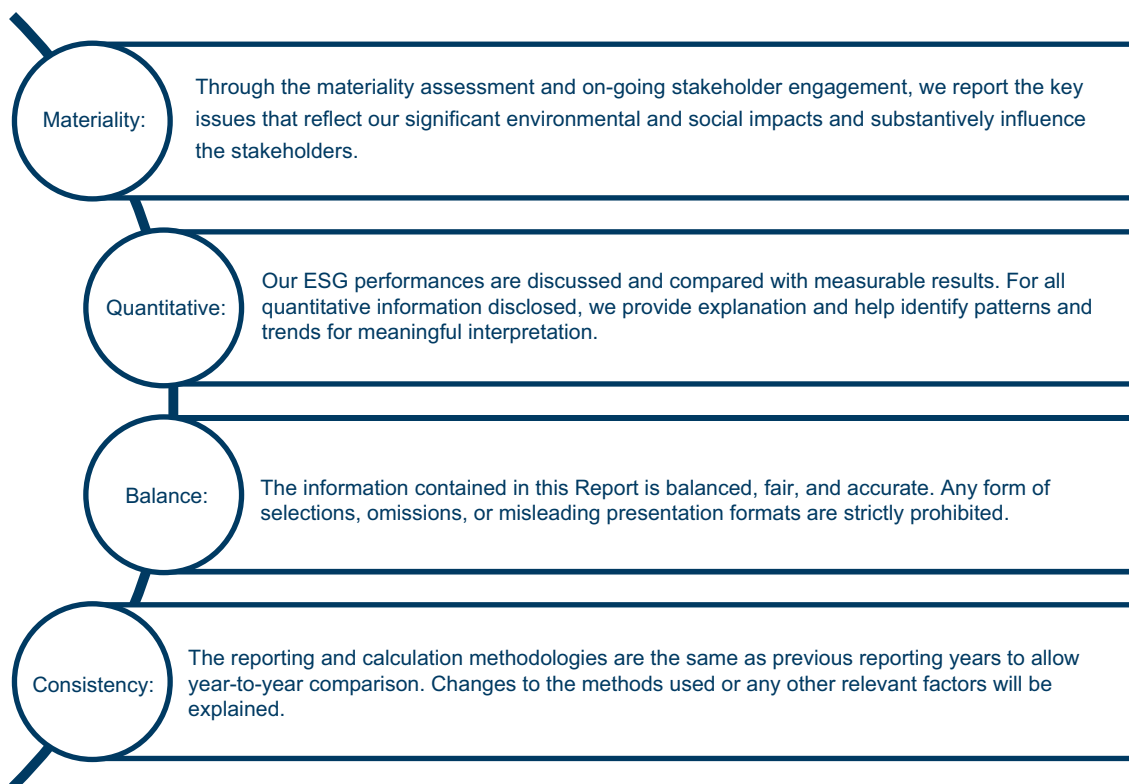
This Environmental, Social and Governance (“ESG”) Report (the “Report”) is the sixth ESG Report of Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively as the “Group”, “We”, “our” or “us”). It presents the ESG strategies of the Group and its commitment to promote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

REPORTING 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 2022 (the “Reporting Period”). The Report emphasizes on the Group’s policies, initiatives and performances of material ESG issues, which have been identified by our internal and external stakeholders. Meanwhile, details of our corporate governance practices are outlined in the “Corporate Governance Report” as set out in the Annual Report.

REPORTING PRINCIPLE

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



Environmental, Social and Governance Report

VISION AND STRATEGY

Vision

The Group is committed to conducting all of the business activities in a manner that both protects the environment and contributes to sustainability. The Group also actively contributes to the environment and society, creates value in environmental protection and human care, and develops better living environment for both stakeholders and the public.

Mission

The Group is committed to understanding the voices of our customers and tenants, meeting their underlying needs by providing quality property management services, developing and operating in a sustainable manner, and valuing and balancing the interests of all parties.

Values

The Group pursues excellence, green development and sustainability.

Report Confirmation and Approval

The senior management and the Board of Directors of the Group have reviewed and approved the ESG report in June 2022, confirming that the disclosures fairly represented the Group's ESG performances, as well as fulfilling the reporting principles as set out in the ESG Reporting Guide.

ESG Approach

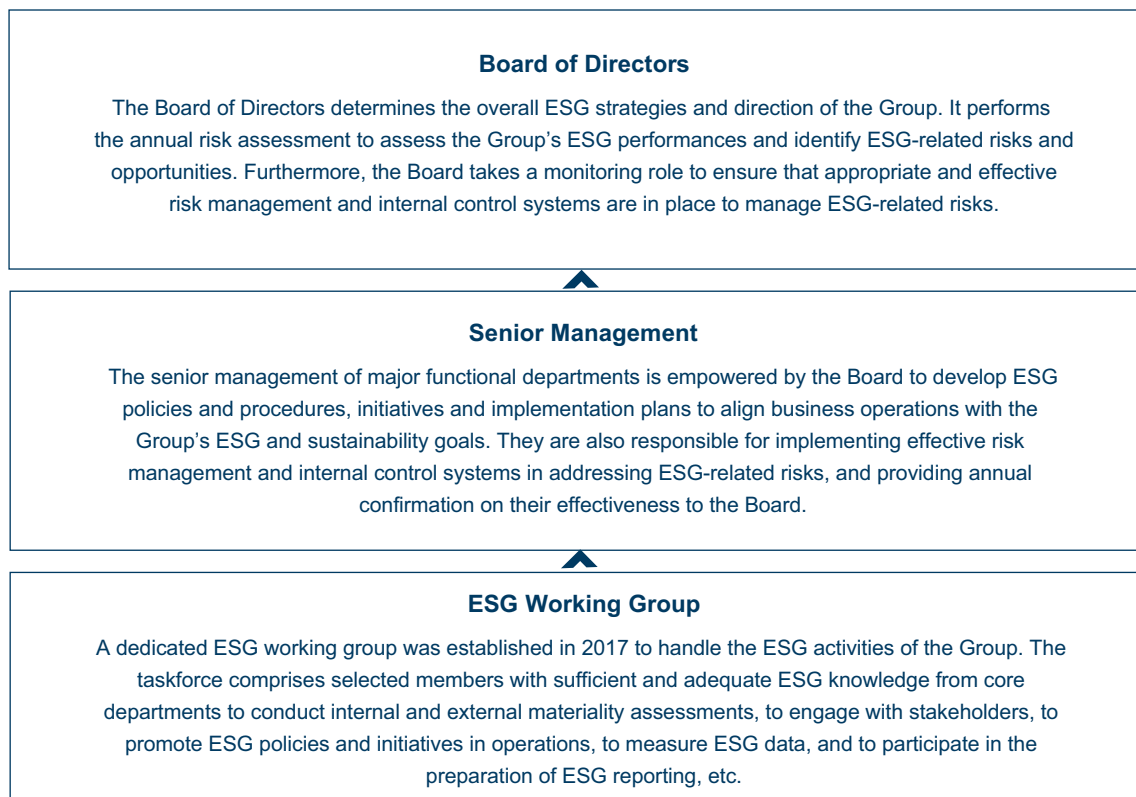
The Group is committed to fulfilling its social responsibilities and taking into account the responsibility for sustainable development while formulating corporate strategies and implementation plan:

- Pay attention to the impact of business operations on the surrounding environment and natural resources.
- Comply with labor laws and regulations to protect employee rights.
- Take all appropriate measures to provide a safe working environment for employees and tenants.
- Provide employees with adequate training and resources to achieve sustainable personal growth.

Environmental, Social and Governance Report

ESG Governance

Our sound and comprehensive ESG governance framework led 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 address ESG issues. Our ESG governance structure is presented below:



Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

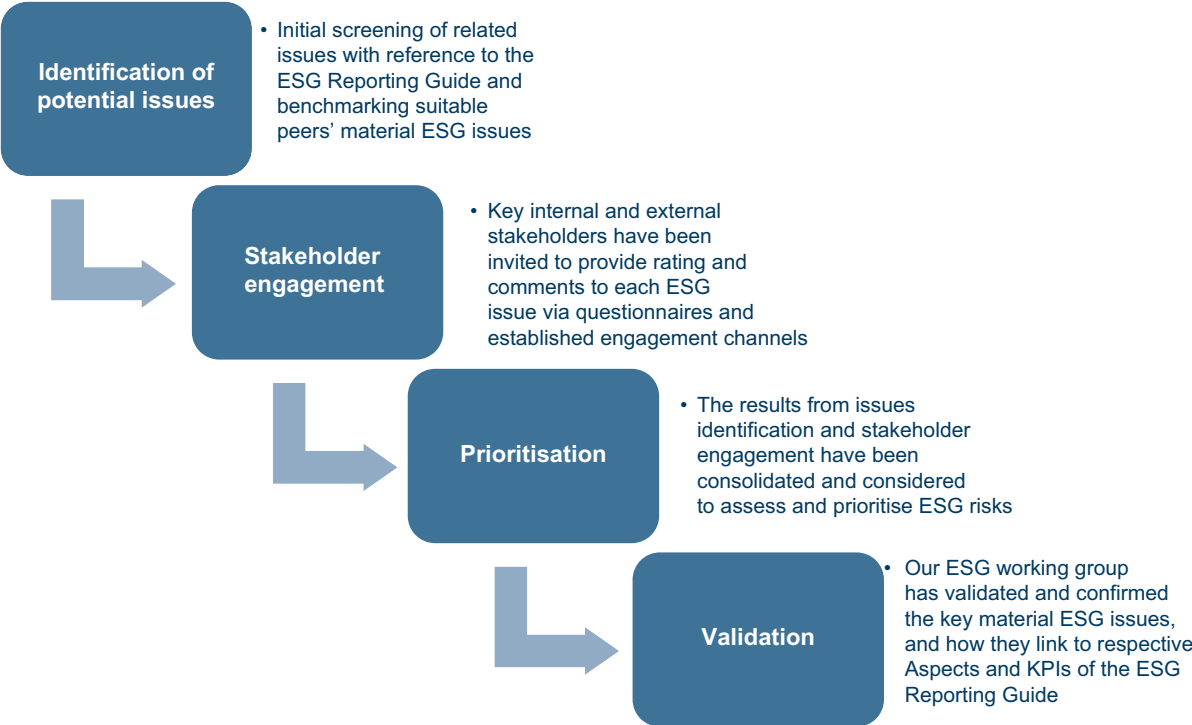
We pay much attention to our stakeholders' feedback to formulate a balanced and sustainable development strategy that can best address stakeholders' needs and expectations. In order to identify key ESG matters of the Group, we have engaged with the internal and external stakeholders of the Group and provided updates on recent developments through diverse engagement channels. The table below highlights the key stakeholders and the communication channels:

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

Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

To identify and address key ESG issues concerned by our stakeholders, we 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. The materiality assessment process is set out as follows:



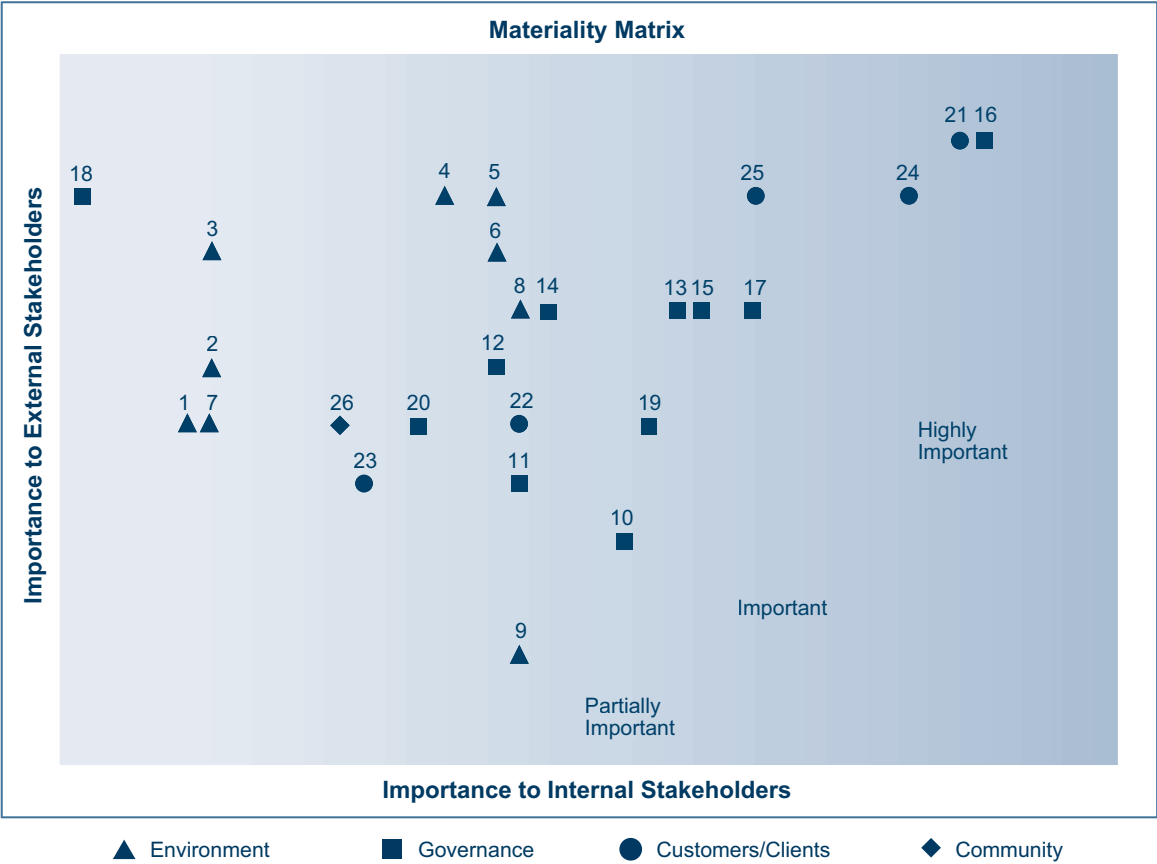
Environmental, Social and Governance Report

Materiality Matrix

The matrix below lists out the ESG issues which were determined to be material to the Group during the Reporting Period.

Aspect	Issue
Environment ▲	<ol style="list-style-type: none">1. Air Emission2. Greenhouse Gas Emission3. Non-hazardous Waste4. Waste Disposal Management5. Energy Usage6. Water Usage7. Packaging Material Usage8. Green Renovation
Governance ■	<ol style="list-style-type: none">9. Climate Resilience10. Recruitment and Promotion11. Compensation and Dismissal12. Working Hours and Rest Periods13. Equal Opportunity and Diversity14. Anti-discrimination15. Benefits and Welfare16. Workplace Health and Safety17. Training and Development18. No Child and Forced Labor19. Supply Chain Management
Customers/Clients ●	<ol style="list-style-type: none">20. Green Procurement21. Service Quality22. Product Safety23. Advertising and Labelling24. Data Privacy and Protection
Community ◆	<ol style="list-style-type: none">25. Anti-corruption and Money Laundering26. Community Investment

Environmental, Social and Governance Report

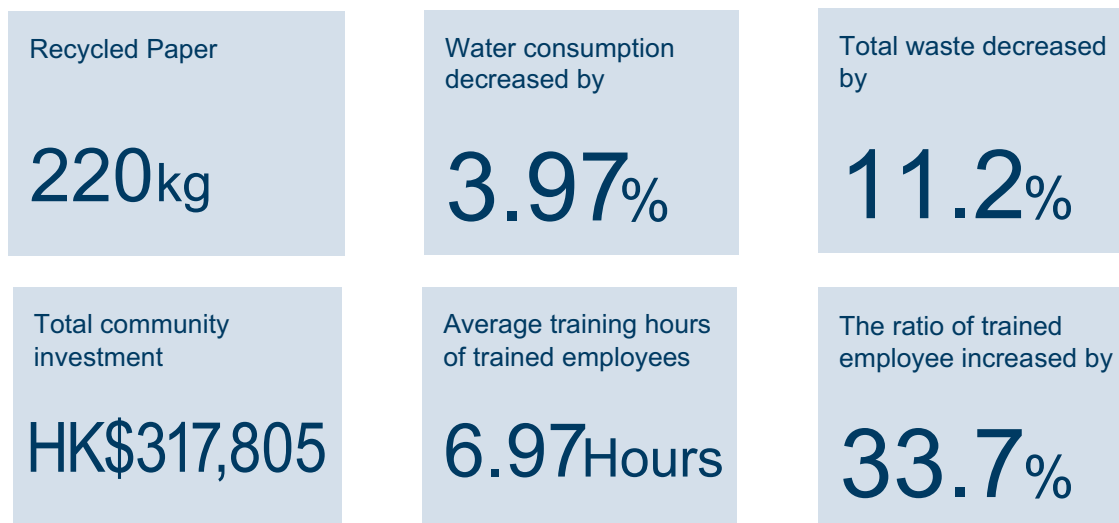


The materiality assessment in 2022 shown 7 “Highly Important”, 10 “Important” and 9 “Partially Important” topics. Workplace health and safety, services quality and data privacy protection remained our primary focus. We will develop our sustainability strategies and set performance targets based on the assessment result.

Environmental, Social and Governance Report

2021/2022 ESG PERFORMANCE QUICK FACTS

In the challenging year of 2021/2022, Safety Godown continued its efforts to improve its ESG performance. Below are some performance highlights.



VALUE OUR PEOPLE

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

Topics of this chapter

- Workplace Health and Safety
- Employee Compensation and Benefits
- Recruitment, Promotion and Dismissal
- Equal Opportunity, Diversity and Anti-discrimination
- Training and Development
- No Child and Forced Labor

HKEX's ESG Indicators Involved

- B1.1
- B1.2
- B2.2
- B2.3
- B3.1
- B3.2

Related SDGs



Environmental, Social and Governance Report

Workplace Health and Safety

The Group is committed to establishing and maintaining a safe working environment for our employees and subcontractors to raise occupational safety and health awareness, and to ultimately minimize the potential risks and hazards in our operations. We also work closely with the property management manager (Jones Lang LaSalle Management Services Ltd) to develop safety objectives, annual safety plans, emergency reporting lines and conduct systematic examinations on safety conditions. Mitigation and preventive measures that are in compliance with ISO 45001:2018 and the laws and regulations governing workplace safety are in place. We engage licensed subcontractors to conduct site inspection and perform risk assessments prior to any repair and maintenance work. Only certified employees are allowed to perform high-risk works.

For the godown operations, ongoing safety training is provided and relevant notices are sent to staff via WhatsApp group. We also provide our employees with necessary equipment such as ladders, trolleys and forklifts, and safety instructions on the correct postures when handling heavy goods to reduce risks of potential incidents and occupational injuries. In our godown, all forklift operators must be well trained and possess relevant qualifications. Moreover, no dangerous goods are allowed to be stored in our godown as set out in tenancy agreements, in accordance with the Dangerous Goods Ordinance.

Apart from providing the protective gears, we have circulated the Employee Safety Handbook where the safety framework and guidelines for all tasks involved in the daily godown operations are stipulated with the aims of maintaining health and safety practices.

In respect of the COVID-19 pandemic, the Group adopted a series of preventive measures to safeguard the health of our employees, which included but not limited to the following:

1. During the periods of COVID-19 pandemic outbreak, our employees were separated into A and B teams which took turn to work from home in order to avoid gathering with aim to reduce the risk of infection.
2. Throughout the COVID-19 pandemic, protective gears including masks, sanitizers and rapid test kits have been distributed to all employees.
3. Photocatalyst coating sprayings for the purpose of disinfection in the office building to ensure a clean and hygienic work environment are arranged.
4. After staff's resumption to office in December 2020, the employees have been arranged to work on different floors in the office building to maintain adequate social distancing.
5. Protective screens and fresh air ventilation system had been installed in the office of the godown.
6. LeaveHomeSafe QR code had been put up at the main entrance and various important spots of the office building and the godown.
7. In response to the fifth wave of COVID-19 pandemic outbreak, which began in late January 2022, employees were required to conduct the official PCR test when any infection cases were reported in their residential buildings and the respective employees could only resume to office after obtaining negative test results. Affected employees worked from home while waiting for the test results.
8. Each employee has to perform a Rapid Antigen Test before going to office on workdays. Any employee tested positive must conduct PCR test and work from home before test result.

Environmental, Social and Governance Report

We adhere to the Factories and Industrial Undertakings Ordinance, the Occupational Health and Safety Ordinance and other safety-related laws and regulations. As a responsible employer, we take an active role in protecting our employees. We provide and maintain working environment, plants and systems that are of minimal health and safety risks. In the loading/unloading area of the godown, we have increased warning signage to remind all visitors that forklift operations are undergoing in the neighborhood. Audible alarms have been installed on all the forklifts to give warnings to nearby pedestrians when operators are driving backwards. Furthermore, we ensure sufficient training and supervision are in place to reduce the possibility of workplace injury. During the Reporting Period, no injury was recorded that resulted in day lost (2021: 3 working days).

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

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

Employee Compensation and Benefits

The Group provides a competitive compensation package to attract and retain employees as they are the major driver to the business success. Apart from the competitive remuneration, numerous benefits are also provided such as the mandatory provident fund ("MPF"), medical insurance, long-term service award, special allowance for wedding, lunch allowance, perfect attendance bonus and employees' children education subsidy.

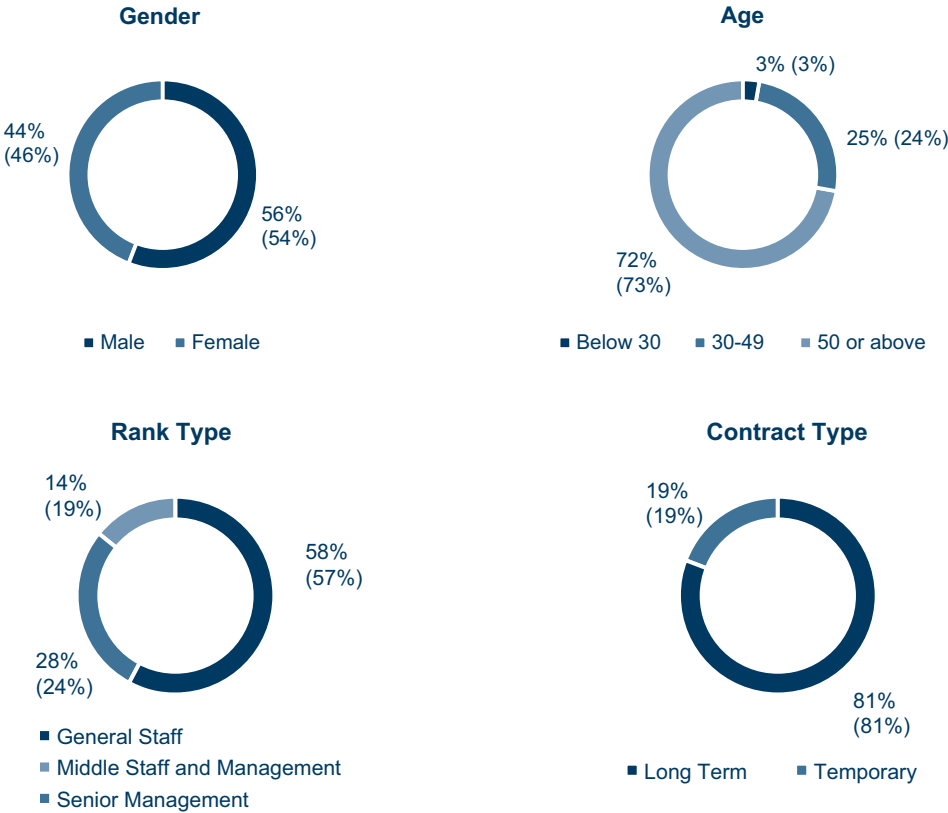
Employee remuneration is reviewed on an annual basis. The adjustment is made based on numerous factors including the macroeconomic conditions, Company's results as well as the staff's overall performance such as qualifications and positive feedback from the respective supervisor(s) and management, etc.

The Group values the well-being of our employees. We have reasonable working hours with full consideration of employees' physical and mental health. Overtime working is compensated in accordance with relevant laws and regulations. Furthermore, our employees are entitled to paid leave such as annual leave, personal leave, maternity leave and exam study leave.

Environmental, Social and Governance Report

As at 31 March 2022, we had a total of 36 employees (2021: 37 employees) located in Hong Kong, detailed breakdowns as below:

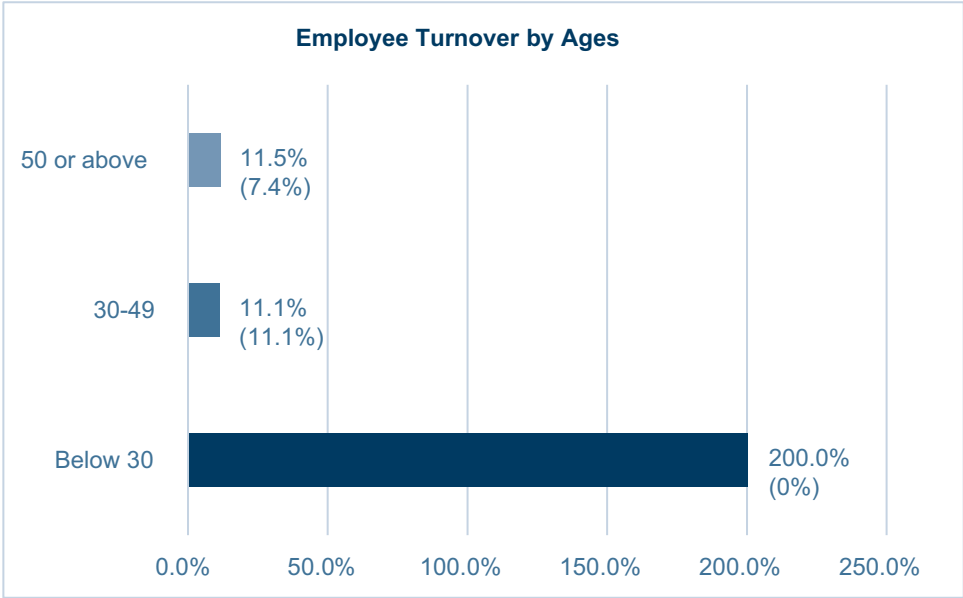
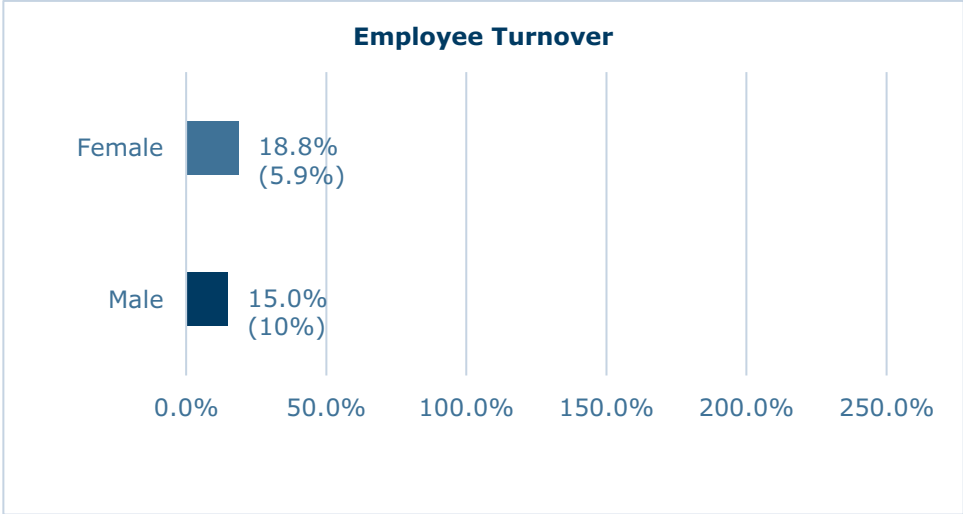
Total workforce



* Figures in brackets () are 2021 figures

Environmental, Social and Governance Report

During the Reporting Period, total employee turnover was 6 (2021: 3), detailed breakdowns as below:



* Figures in brackets () are 2021 figures

Environmental, Social and Governance Report

Recruitment, Promotion and Dismissal

The Group strives to attract high quality talent who shares the same value with the Group's corporate culture, objectives and goals and at the same time use our best effort to retain the existing staff as we believe staff is the foundation of our business and all the effort contributed by them shall be recognized and rewarded. The human resources department sets up the human resources plan annually in accordance with the Group's strategic development and operational needs. The plan is approved by the senior management. During the recruitment process, the human resources department has established fair, unbiased and objective selection criteria and the candidates are assessed objectively on their experience and capabilities, and avoided any forms of bias towards gender, race, age, religion, pregnancy, disability, family status or sexual orientation.

The Group has established an annual performance appraisal system to assess staff performance and promotion which is based on the result of the evaluation to ensure fair and unbiased judgement.

Employees have the right to terminate the employment relationship in accordance with the standard termination procedures based on applicable laws and regulations, to protect the interest of 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 and job transfer, while training must be given on an open and equal basis. The assessment criteria for recruitment and promotion is developed solely to evaluate the attributes, skills and experiences of the candidates or employees. We also strive to build a diverse team to embrace new ideas and create a culture that fosters innovation with these differences.

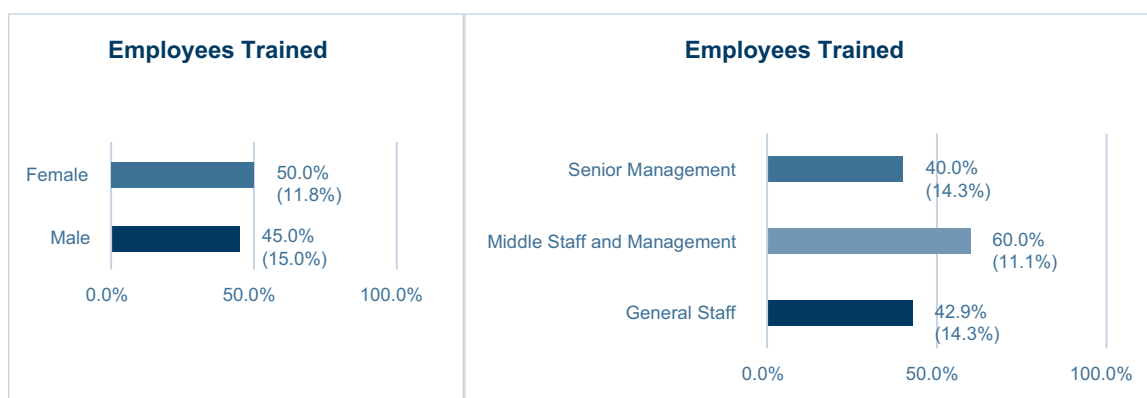
Our human resources policies and procedures have been developed in accordance with the Employment Ordinance and the Anti-discrimination Ordinances in Hong Kong related to sex, disability, family status and race. The Human Resource Department implements proper controls throughout the administrative processes 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 interests and develop a harmonious workplace with equality, care and respect. During the Reporting Period, we did not identify any material non-compliance cases with employment-related laws and regulations.

Environmental, Social and Governance Report

Training and Development

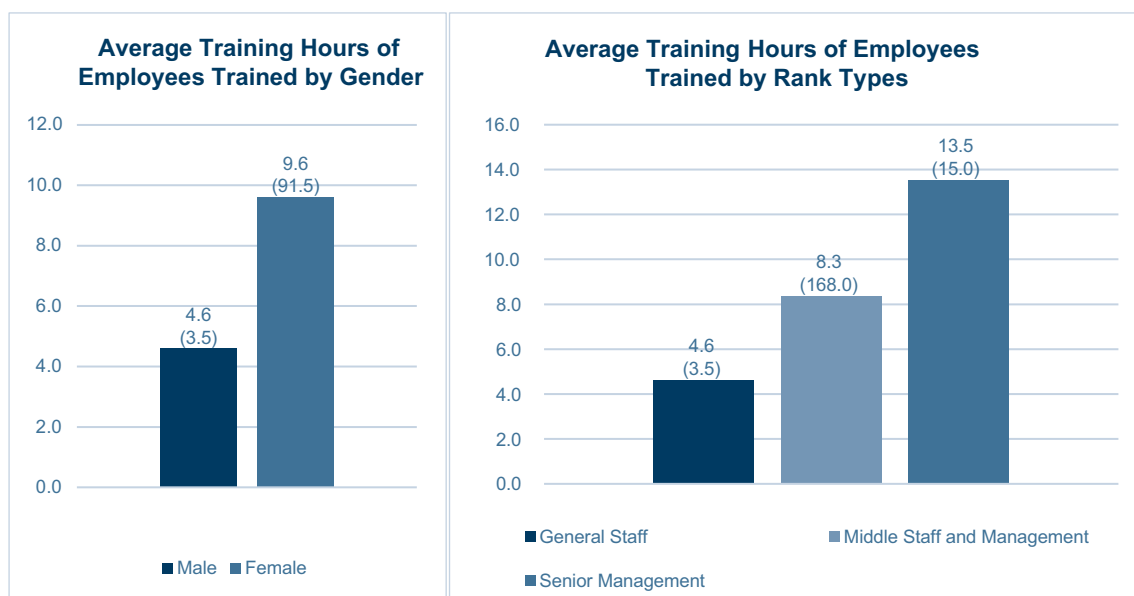
Employee development is critical to both personal achievement and business success. The Group therefore provides support on both career and personal development of our employees. We empower and enable them to realize their career aspirations. Various internal trainings are designed to expand the knowledge base of all staff and facilitate the effectiveness and efficiency of their performance. Meanwhile, we encourage our employees to attend external trainings.

In 2022, there were 17 employees trained (2021: 5), with total training hours reaching 118.5 (2021: 193.5).



Categories	2022		2021	
	Employees trained	Total workforce	Employees trained	Total workforce
Female	8	16	2	17
Male	9	20	3	20
Senior Management	2	5	1	7
Middle Staff and Management	6	10	1	9
General Staff	9	21	3	21

Environmental, Social and Governance Report



Categories	2022		2021	
	Employees trained	Total training hours	Employees trained	Total training hours
Female	8	77	2	183
Male	9	41.5	3	10.5
Senior Management	2	27	1	15
Middle Staff and Management	6	50	1	168
General Staff	9	41.5	3	10.5

* Figures in bracket () are 2021 figures

The Group encourages our employees to further study to upskill working knowledge, improve skillsets and enhance work performance. Full education sponsorship and examination leave will be granted to eligible employees.

Environmental, Social and Governance Report

No Child and Forced Labor

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

All of our employees sign formal employment contracts with us voluntarily and possess qualified identity documents. A proper identity check is conducted in the recruitment process to ensure candidates are eligible to work under the local labor laws.

We have extended our commitment to anti-child and forced labor to our supply chain partners. All of our business partners shall adopt the same level of standard to ensure no child or forced labor is involved in their value chain. We conduct regular meetings with our suppliers and contractors to confirm reasonable measures have been adopted to address and minimize the risk of involuntary or illegal labor, debt bonded labor, forced labor, slavery and servitude.

We closely follow the Employment of Children Regulations and Employment of Young Persons (Industry) Regulations under the Employment Ordinance, we have zero tolerance to the use of child and forced labor in our operations as well as our supply chain. During the Reporting Period, we did not identify any material non-compliance cases with anti-child and forced labor-related laws and regulations.

VALUE OUR SOCIETY

We understand that inclusive growth of the local community is critical to the sustainable development of a business, and have continuously devoted resources to help our community in various aspects. The Group strives to share the business success with different stakeholders in the community.

Topics of this chapter

- Community Investment

HKEX's ESG Indicators Involved

B8.1
B8.2

Related SDGs



Community Investment

While generating sustainable profits and being responsible for the interest of our shareholders, we are also committed to fulfilling our social responsibilities to create a positive impact on society and reinvest our business return into the next generation. During the Reporting Period, the Group donated HK\$317,805 (2021: HK\$165,000) to support a wide array of social development programs. Of this total, we continued to support the Hong Kong Chinese Orchestra in delivering high-quality dramatic performances. We believe art is a unique medium to conserve, inherit and spread the culture. Performance can create social interaction and boost creativity beyond boundaries.

In addition, the COVID-19 pandemic has brought unprecedented challenges to the local economy, which has caused the surge of unemployment. To help easing increasing demand for food assistance, we have collaborated with Baptist Oi Kwan Social Service to launch the "Hot Meal" program. The program is designed to provide free hot meal boxes to people in need including the street sleepers and the underprivileged group. We have also organized charity sales in Lu Plaza to encourage our customers and tenants to participate in this program. The Group has been awarded the Caring Company logo for a consecutive 19 years since 2003 and our commitment was recognized by the Hong Kong Council of Social Service which had awarded the Group with the 15 Years Plus Caring Company logo in 2021.

In 2021, the Group was awarded a certificate of appreciation from the Social Welfare Department for our contribution in promotion of volunteering.

Environmental, Social and Governance Report

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

Organizer	Name of Event	Purpose and Target beneficiary
Safety Godown Group, Lu Plaza and Baptist Oi Kwan Social Service	The LU+ opening ceremony and charity event "Let's Reach for the Sky"	To raise funds for the community, disadvantaged women and young people
Baptist Oi Kwan Social Service	Hot Meal Program	To distribute almost 35,400 meal boxes to the homeless and underprivileged people
Kwuntong Theatre	Online live broadcast of the stage play "Who is Lu Xun"	To educate the public on Chinese historical figures
Hong Kong Red Cross Blood Transfusion Service	Blood donation	To promote blood donation among tenants of the Lu Plaza
Chinese Culture and Arts Association	"Painting Calligraphy Tea" exhibition	To promote Chinese paintings, calligraphy and tea ceremony culture
Baptist Oi Kwan Social Service	Support Hong Kong Flag Day	Walk along with "SENs" "Kiddy Heart Canteen" and "Social Housing" Children and Youth Mental Health Project – "Happy-go-Buddies" and "Teens Project" "Blessed Project" for the Elderly
Renshan Fortune Charity Association	"Convenient life technology, electronic payment you need to know" lecture	Senior members of Renshan Fortune Charity Association
Hong Kong Chinese Orchestra	"The drums beat again"	To promote drum music
Amazing Grace Worship "ACTION"/ Baptist Oi Kwan Social Service	Christmas concert	To celebrate Christmas with the members
Amazing Grace Worship "ACTION"	Winter solstice and Christmas party	To celebrate with children and mothers of single-parent families
Amazing Grace Worship "ACTION"/ Baptist Oi Kwan Social Service	Distribution of COVID-19 prevention materials	To provide COVID-19 prevention materials to the community to meet urgent needs
The Hong Kong Chinese Christian Churches Union	Sponsor Lunar New Year lunch for senior citizens	To celebrate Lunar New Year with the elderly
Evangel Children's Home	"S.E.N.2.0" – Integrated service	To sponsor the "Shine.Empower.Network.2.0" – Integrated Service with annual donation of HK\$100,000 for 3 years in a row since 2020 to support the children who require special learning needs and to provide care, training and supporting services

Environmental, Social and Governance Report

Organizer	Name of Event	Purpose and Target beneficiary
Po Leung Kuk	Support two Po Leung Kuk's children homes' operating fees	To provide the children and teenagers who are in need of residential care
The Community Chest	Green Low Carbon Day	To support environmentally friendly initiatives
The Community Chest	Skip Lunch Day	To benefit the "Services for Street Sleepers, Residents in Cage Homes and Cubicles" supported by The Community Chest.
The Community Chest	Love Teeth Day	To help The Community Chest enhance oral health services for the needy

In 2020, we have established the Safety Godown Volunteer Team, which comprises of both general and management level staff, to demonstrate our commitment to serve the society. In the future, we will organize and participate in various volunteering activities to help people in need and foster the team bonding and spirit.

VALUE OUR SERVICES

Service Quality and Safety

The Group puts customer satisfaction at the heart of our business. We relentlessly strive to enhance our standards to offer the best of class service to our customers and pursue higher customer satisfaction.

Topics of this chapter	HKEX's ESG Indicators Involved	Related SDGs
<ul style="list-style-type: none"> Data Privacy and Protection Anti-Corruption and Money Laundering Sustainable Supply Chain Advertisement and Labelling 	B5.1 B5.2 B5.3 B5.4 B6.2 B6.3 B6.5	B7.1 B7.2 B7.3





Environmental, Social and Governance Report

Our godown operation system is accredited to the ISO9001:2015 quality management system which demonstrates our capability to consistently provide products and services that meet customer needs and applicable statutory and regulatory requirements, and enhance customer satisfaction through the effective application of the system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements. To maintain a secure and safe environment in safeguarding our customers' cargoes in the godown, we have developed and implemented the following measures:

- Warehouse door locks
- 24-hour security guards
- Closed-circuit television ("CCTV")
- Visitor registration and identity check
- Stringent procedures in controlling incoming and outgoing stock movements are in place for the warehouse security

For our property investment business, we continue to engage a high quality property management manager. The needs and feedbacks of tenants or clients are frequently communicated through the property management manager. We also monitor their levels of satisfaction regularly and request our property management manager to enhance their service quality continuously. If a tenant or client has made a complaint, the property management manager will handle the complaint 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. All cases will be filed and yearly review is conducted to ensure all of the cases are handled in accordance to the standard. During the Reporting Period, neither our godown business nor property investment business received written service complaint (and no written service complaint was received by the Group in the previous reporting period). The customers/tenants are satisfied with the high quality service we provide.

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 property management manager is required to ensure that the services are of 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. During the Reporting Period, we did not identify any material non-compliance cases with services quality and safety-related laws and regulations.

Data Privacy and Protection

The protection of customers' data is also our major concern. We strictly comply with Personal Data (Privacy) Ordinance (Cap. 486) and maintain clear guidelines on the access, storage and process of customer personal data and other confidential information collected in our business operations. We 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 which the data is collected or for a directly related purpose unless consent with a new purpose is obtained;
- Never transfer or disclose personal data to any entity that is not a member of the Group without consent unless required by law or previously notified; and
- Maintain appropriate security systems and measures to prevent unauthorized access to personal data.

Environmental, Social and Governance Report

To further protect our data from cyber-attack, we have installed standard anti-virus software in our servers. In addition, we require our employees to take up 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. During the Reporting Period, we did not identify any material non-compliance cases with data privacy-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 will not be tolerated. Our staff are 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 disciplinary actions.

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

- Soliciting or accepting an advantage
- Hospitality
- Gifts
- Business records
- Conflict of interest
- Abuse of Company's assets
- Loan arrangement
- Gambling activities

In line with our commitment to build an open and fair working culture, we have established a whistle-blowing mechanism for our staff and all the related third parties. The purpose of the mechanism is to provide an impartial platform for them to raise any concern related to misconduct, fraud or any matter which violates our Group's value. All of the complaints will be treated fairly and the results of the investigation including the identity of the person will be treated in strict confidentiality.

We stringently obey the Prevention of Bribery Ordinance, the Competition Ordinance, and other relevant laws and regulations related to anti-corruption and money laundering. Employees are not allowed to solicit or accept any advantages to corrupt, damage market competition and conduct any misfeasance.

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

Environmental, Social and Governance Report

Sustainable Supply Chain

Supply Chain Management

Echoing our commitment to operate in a socially and environmentally responsible manner, we place much attention to the sustainability in our supply chain. Therefore, we only choose suppliers and contractors which are consistent with our principles to cooperate with. The property management manager possesses the following accreditations related to environmental and social risk management.

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

Regular meetings with the representatives of the property management manager are conducted to obtain the environmental measure update and to ensure all of the environmental policies and safety practices are in place. In addition, a dedicated person of the leasing department is appointed to conduct regular patrol in our premises to confirm no irregularity or misconduct by the property management manager.

Apart from property management, we have set out the selection criteria for our renovation contractors and service providers. Each renovation contractor is required to provide a comprehensive environmental management plan to demonstrate the measures to minimize the environmental impact during and after the work. Also, a site safety plan is required to ensure the operational risk management, risk mitigation plan and monitoring mechanism are designed to safeguard the site workers and the other related parties.

Meanwhile, our internal guidelines also require the contractors and service providers to demonstrate and fulfill social responsibility. For example, we have a higher preference toward suppliers with FAIRTRADE Mark/Caring Company certificate. By closely working with these companies, we can build a sustainable supply chain that brings a contribution to society and fulfills our business purpose at the same time. As of 31 March 2022, we had a total of 118 suppliers which all of them were local suppliers (2021: 263 local suppliers).

Green Procurement

Green procurement is promoted in the Group's business operation as the use of sustainable product can reduce the environmental impacts and safeguard human and labor right. Before the purchase decisions are made, we would strike a balance between the environmental impacts, cost and product quality. Products that are made of recycled materials, free of toxic substances, reusable and recyclable as well as featured with long durability and easy maintenance are preferable. The supplies used for property management strictly follow the green procurement guideline set by the property management manager.

Regular review on the environmental and social performance is conducted for the suppliers. The corresponding user department of the Group will evaluate the performance of each supplier based on the result of the review as well as the quality of the product and timeliness of the service delivery.


Environmental, Social and Governance Report

Advertising and Labelling

The Group's reputation is built on trust and reputation. Therefore, our marketing and sales functions operate under the principle of integrity. All promotion and advertising materials are reviewed by senior management with due care to ensure that they fairly describe the attributes of our products and services. We strictly comply with the Trade Descriptions Ordinance and other advertising and labelling-related laws and regulations. During the Reporting Period, we did not identify any material non-compliance cases with advertising and labelling-related laws and regulations.

VALUE OUR ENVIRONMENT

As a responsible global citizen and business operator, we recognize our business operations' carbon footprint. With all reasonable endeavor, we take the initiatives to lower our environmental impact in alignment with the industry standards. For the property investment business, we worked with the property management company to develop a policy ranging from electricity consumption to waste disposal to demonstrate the best practice to reduce the carbon footprint.

Topics of this chapter	HKEX's ESG Indicators Involved		Related SDGs
<ul style="list-style-type: none"> Resources Management 	A1.1	A2.1	
	A1.2	A2.2	
<ul style="list-style-type: none"> Emissions Management 	A1.3	A2.3	
	A1.4	A2.4	
<ul style="list-style-type: none"> Climate Change 	A1.5	A2.5	
	A1.6	A3.1	
		A4.1	

Resources Management

Electricity and Water Consumption

We conserve natural resources for the long-term sustainability of the community and aim at improving the efficiency on use of resources. Our operations consume unleaded petrol, electricity, LPG and water.

We advocate environmental sustainability by 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 use of our resources and creating long-term value to our stakeholders, we believe that these green initiatives could bring mutual benefits to both the environment and the stakeholders.

In addition, we have worked together with our property management manager to devise an environmental management plan to identify potential improvement areas for resources use, set improvement targets for energy and water consumption, as well as monitoring the outcomes and effectiveness of the implementation plans closely based on internal and local standards. We will continuously monitor electricity and water consumptions and deploy any possible course of actions to achieve effective use of energy and waste reduction.

Since 2018, our Lu Plaza has demonstrated its green efforts and has been awarded the Carbon Reduction Certificate by the Environmental Campaign Committee. In 2021, Lu Plaza was awarded a Certificate of Merit for Commendation Scheme on Source Separation of Commercial and Industrial Waste by Environmental Protection Department.

Environmental, Social and Governance Report

Packaging Materials

Plastic wraps are used in our godown operations to protect the goods of our customers during transportation. We are aware of the potential environmental impact resulting from the use of packaging materials. Working with our customers, we would continue to promote the sense of eco-friendliness to our employees and customers and look for more sustainable alternatives in possible ways.

Other Impacts on Environment and Natural Resources

We consider the impact on the environment during business decision making processes. We make every endeavor to manage environmental risks related to our operations, and implement preventive measures to control the relevant risks. Corresponding mitigating plans will be developed to address the relevant risks. 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 working 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.

Air and Greenhouse Gas Emissions

The major air emissions identified from our operations arise from the use of private vehicles and forklifts. We generated nitrogen oxides (NO_x), sulphur oxides (SO_x) and particulate matter (PM) from the use of unleaded petrol and LPG. For our Greenhouse Gas (GHG) emissions, it comprised of emissions from the consumption of purchased electricity, vehicle fuels, water and paper.

To reduce air and GHG emissions, the Group has implemented various measures in our operations. For instance, the majority of forklifts used in our godown is electric-operated with no emissions while the rest consumes LPG, a relatively clean fuel with lower level of emissions, and are 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. As we engaged Hong Kong Productivity Council to conduct carbon audit on Lu Plaza in 2019, we had set up an energy saving plan based on the audit result in order to further reduce the overall electricity consumption in Lu Plaza. In the coming future, we will continue to seek for potential opportunities to further improve the energy efficiency and reduce our carbon footprint with our tenants.

Environmental, Social and Governance Report

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 was inapplicable. The non-hazardous waste generated by our day-to-day business operations are mainly general domestic wastes, waste paper and wooden pallets. We have therefore implemented a wide range of measures to reduce waste at source and facilitate recycling at our properties, such as:

- Waste generation monitoring from sources to the entire waste management system. The Group keeps monthly record in order to analyze and evaluate the effectiveness of implemented waste reduction measures.
- Promotion of the 3Rs (Reduce, Reuse, and Recycle) waste management principle by incorporating it into our operational procedures for our staff to follow.
- Adopting a paperless office strategy such as encouraging double-sided printing and the use of electronic communication channels for document sharing to reduce paper usage. We also encourage employees to maintain electronic records instead of printed copies to reduce paper consumption.
- Providing appropriate facilities such as paper and battery recycling bins to facilitate source separation and waste recycling.
- 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. We also participated in various recycling activities to collect used red pocket and mooncake boxes.

Climate Change

We recognize climate change as a crucial issue that requires our major attention as its impacts are bringing irreversible damage to the world. Our godown and property investment businesses are affected. Even though we are not the major polluter, we make every effort to demonstrate our commitment to our stakeholders in protecting the environment and contributing ourselves to tackle climate change. In the previous ESG report, we stated that we took the initiative to design a climate change policy to enable us to demonstrate our commitment to our stakeholders in protecting the environment and contributing ourselves to tackle climate change. Following through consideration, we have adopted an integrated approach to take into account of identified climate change risks into our business and operational decision-making processes. The Board will review whether a standalone climate change policy or sustainability committee is required to better facilitate the overall corporate development and business strategy of the Group and achieve the long-term carbon reduction targets on an annual basis.

We have identified the climate risks related to our business nature and will manage to address the identified risks. Strategies will be established in line with the global standards and the industry's practices to steer the business operations into zero carbon initiatives.

Extreme weather conditions have caused significant destruction worldwide. To prevent the physical damage brought by the extreme weather and to build climate resilience, we have adopted precautionary measures and disaster planning which covers the abovementioned situations.

Environmental, Social and Governance Report

Recommendations of the Task Force on Climate-Related Financial Disclosures

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

Risk Management – Managing Climate-related Risks		
Physical Risk		
Category	Description	Risk Events and Financial Impacts
Immediate Risk	A single extreme weather event due to climate change could have an impact on the Company's operations.	<p>Extreme Climate Scenarios</p> <p>Extreme weather such as typhoons, floods, etc. may damage properties, physical assets, and even life properties, increase maintenance costs, procurement costs, and costs related to legal liabilities, and potential business cessation will result in reduced revenue.</p>
Transition Risk		
Category	Description	Risk Events and Financial Impacts
Policy and Regulatory Risk	<p>Policies related to climate change may limit any action that could exacerbate climate change, or facilitate climate change adaptation.</p> <p>The Company's operation will be affected by relevant policies, and non-compliance may result in litigation.</p>	<p>Building Rules and Guidelines</p> <p>The government may tighten building energy codes and guidelines to regulate highly polluting projects in the industry and promote green buildings. This will increase overall operating costs to comply with regulations.</p>
Transition Risk		
Category	Description	Risk Events and Financial Impacts
Market Risk Reputational Risk	The Company's goodwill will be affected if market expectations of the Company on climate-related issues differ from the Company's approach.	<p>Investor</p> <p>Investors' demand for sustainable investment has increased, and more green bonds and green investment products are available, making it easier for us to obtain green funds. If the Company does not follow sustainable investment standard, it will lose the opportunity to access the green funds.</p> <p>Customer</p> <p>The market demand for green work environment is rising, and customers are more inclined to set up offices in green buildings in order to achieve their sustainable development goals. If the Company does not follow the market expectation on climate-related issues, its brand could not be enhanced and occupancy and rental rates may be affected.</p>

Environmental, Social and Governance Report

PERFORMANCE STATISTICS

Reporting Item	Unit	2022			2021			2020		
		Total	Per Staff	Per GFA	Total	Per Staff	Per GFA	Total	Per Staff	Per GFA
Energy Consumption¹										
Unleaded Petrol	L	3,459	96.08	0.01	3,093	83.59	0.01	3,343	95.51	0.01
Electricity	kWh	231,371 ²	6,426.97	0.75	169,717	4,586.95	0.55	180,716	5,163.31	0.59
LPG (石油氣)	kg	720 ³	20.00	0.0023	496	13.41	0.0016	1,440	41.14	0.0047
Water Consumption^{4&5}										
Water	m ³	726	20.17	0.0024	756	20.43	0.0025	1,500.99	42.89	0.0049
Packaging Material										
Plastic Wrap	kg	80			90			81		
Air Emission⁶										
Nitrogen oxides (NOx)	kg	1.50			1.56			1.49		
Sulphur Oxides (SOx)	kg	0.05			0.05			0.05		
Particulate Matter (PM)	kg	0.10			0.11			0.09		
Greenhouse Gas (GHG) Emission⁷										
Scope 1	tonnes	11.37	0.32	0.000037	9.87	0.27	0.000032	13.40	0.38	0.000043
Scope 2	tonnes	90.23 ⁸	2.51	0.000293	62.80	1.70	0.000204	90.36	2.58	0.000293
Scope 3	tonnes	1.51	0.04	0.000005	1.47	0.04	0.000005	6.16	0.18	0.000020
Total GHG Emissions	tonnes	103.11	2.86	0.000335	74.14	2.00	0.000241	109.91	3.14	0.000356
Hazardous/Non-hazardous Waste⁹										
General Waste ¹⁰	tonnes	17.72			19.97			14.07		19.97
Recycled Waste										
Recycled Paper	tonnes	0.22			0.21			0.01		
Recycled Wooden Pallets	tonnes	0			0			8.47		

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

2 The increase was attributable to more fitting out work carried out in Lu Plaza and godown warehouse during the Reporting Period.

3 The increase was attributable to more newsprint papers rolls accepted by godown operations, which could only be handled by LPG forklift.

4 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.

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

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

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

8 The increase was attributable to higher electricity consumption as a result of more fitting out work being carried out in Lu Plaza and safety godown warehouse during the Reporting Period.

9 This only covers waste generated by and controlled by the Group, excluding waste generated by tenants and other third parties.

10 General wastes including the general domestic wastes, wastepaper and wooden pallets.

Environmental, Social and Governance Report

CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

General Disclosures and KPIs	Reference (Page Number)	Remarks
Environmental		
Aspect A1: Emissions		
General Disclosure	Value Our Environment (P.51-54)	
KPI A1.1	Performance Statistics (P.55)	
KPI A1.2	Performance Statistics (P.55)	
KPI A1.3	Performance Statistics (P.55)	
KPI A1.4	Performance Statistics (P.55)	
KPI A1.5	Emission Management (P.52)	Due to the outbreak of COVID-19, the Company's business was considerably disrupted. Therefore, setting relevant environmental targets at this stage is deemed inappropriate. The Company will continue to monitor the situation and proceed with target setting when business operations have largely returned to normal.
KPI A1.6	Waste Management (P.53)	
Aspect A2: Use of Resources		
General Disclosure	Value Our Environment (P.51-54)	
KPI A2.1	Performance Statistics (P.55)	
KPI A2.2	Performance Statistics (P.55)	
KPI A2.3	Electricity and Water Consumption (P.51)	Due to the outbreak of COVID-19, the Company's business was considerably disrupted. Therefore, setting relevant environmental targets at this stage is deemed inappropriate. The Company will continue to monitor the situation and proceed with target setting when business operations have largely returned to normal.
KPI A2.4	Electricity and Water Consumption (P.51)	
KPI A2.5	Performance Statistics (P.55)	

Environmental, Social and Governance Report

General Disclosures and KPIs	Reference (Page Number)	Remarks
Aspect A3: The Environment and Natural Resources		
General Disclosure	Other Impacts on Environment and Natural Resources (P.52)	
KPI A3.1	Other Impacts on Environment and Natural Resources (P.52)	
Aspect A4: Climate Change		
General Disclosure	Climate Change (P.53)	
KPI A4.1	Climate Change (P.53)	
Social		
Aspect B1: Employment		
General Disclosure	Employee Compensation and Benefits (P.39) Recruitment, Promotion and Dismissal (P. 42) Equal Opportunity, Diversity and Anti-discrimination (P. 42)	
KPI B1.1	Employee Compensation and Benefits (P.40)	
KPI B1.2	Employee Compensation and Benefits (P.41)	
Aspect B2: Health and Safety		
General Disclosure	Workplace Health and Safety (P.38)	
KPI B2.1	N/A	No work-related fatalities occurred in past three years, including the reporting year.
KPI B2.2	Workplace Health and Safety (P.39)	
KPI B2.3	Workplace Health and Safety (P.38)	
Aspect B3: Development and Training		
General Disclosure	Training and Development (P.43)	
KPI B3.1	Training and Development (P.43)	
KPI B3.2	Training and Development (P.44)	
Aspect B4: Labor Standards		
General Disclosure	No Child and Forced Labor (P.45)	
KPI B4.1	No Child and Forced Labor (P.45)	
KPI B4.2	No Child and Forced Labor (P.45)	
Aspect B5: Supply Chain Management		
General Disclosure	Supply Chain Management (P.50)	
KPI B5.1	Supply Chain Management (P.50)	
KPI B5.2	Supply Chain Management (P.50)	
KPI B5.3	Supply Chain Management (P.50)	
KPI B5.4	Supply Chain Management (P.50)	

Environmental, Social and Governance Report

General Disclosures and KPIs	Reference (Page Number)	Remarks
Aspect B6: Product Responsibility		
General Disclosure	Value Our Service (P.47-49)	
KPI B6.1	N/A	The KPI is not applicable to our current scope of business.
KPI B6.2	Service Quality and Safety (P.47-48)	
KPI B6.3	Data Privacy and Protection (P.48-49)	
KPI B6.4	N/A	The KPI is not applicable to our current scope of business.
KPI B6.5	Data Privacy and Protection (P.48-49)	
Social		
Aspect B7: Anti-corruption		
General Disclosure	Anti-corruption and Money Laundering (P.49)	
KPI B7.1	Anti-corruption and Money Laundering (P.49)	
KPI B7.2	Anti-corruption and Money Laundering (P.49)	
KPI B7.3	Anti-corruption and Money Laundering (P.49)	
Aspect B8: Community Investment		
General Disclosure	Value Our Society (P.45-47)	
KPI B8.1	Value Our Society (P.45-47)	
KPI B8.2	Value Our Society (P.45)	

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 2022.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 68.

An interim dividend of HK4 cents per share, amounting to HK\$16,200,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK6 cents per share amounting to HK\$24,300,000 to the shareholders whose names appear on the register of members on 31 August 2022.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2022, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$819,247,000 (2021: HK\$1,026,797,000).

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. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

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

Details of the directors to be re-elected at the 2022 annual general meeting are set out in a circular to the shareholders sent together with this Annual Report.

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

The term of office for each non-executive director (including independent non-executive director) is the period up to his/her retirement by rotation and subject to re-election in accordance with the Company's Articles of Association.

Directors' Report

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 of all subsidiaries of the Company. Other directors of the Company's subsidiaries during the year and up to the date of this report are Ms. Chan Koon Fung, Mr. Ng Gei, Mr. Huang Hwei Ru and Mr. Wong Hung Chin.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2022, the interests of the directors of the Company and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Name of directors	Number of issued ordinary shares of the Company held (long position)				Total interests	Approximately percentage of issued shares of the Company ³
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,231,260	–	70,320 ¹	13,200,000 ²	41,501,580	10.25%
Mr. Lam Ming Leung	30,000	–	–	–	30,000	0.0074%

Notes:

1. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 70,320 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 13,200,000 shares as he was one of the executors of the estate of Mr. Lu Sin (deceased).
3. Based on 405,000,000 shares in issue as at 31 March 2022.

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 2022.

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

Directors' Report

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

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

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

MANAGEMENT CONTRACT

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

PERMITTED INDEMNITY PROVISIONS

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

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2022, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued shares of the Company:

Name of substantial shareholders	Capacity	Number of issued ordinary shares held (Long Position)		Approximately percentage of issued shares of the Company ³
		Direct interest	Indirect interest	
Kian Nan Financial Limited	Beneficial interest	147,610,335	–	36.45%
Eargold Limited	Beneficial interest	31,050,000	–	7.67%
Chelton Trading Limited	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 ¹	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	8,968,500	209,859,318 ²	54.03%

Notes:

- The shares were held by Eargold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Eargold Limited and, therefore, they were taken to be interested in 31,050,000 shares held by Eargold Limited.
- Among these 209,859,318 shares, (a) Ms. Chan Koon Fung was taken to be interested in 31,050,000 shares through Eargold Limited which was held by Chelton Trading Limited (directly owned 50%) and Gladiator Investments Co. (directly owned 50%), in both of which Ms. Chan directly owned 50%; (b) she was taken to be interested in 147,610,335 shares which were held by Kian Nan Financial Limited, in which Ms. Chan owned 38.98%; (c) she was taken to be interested in 17,998,983 shares which were held by Lusin And Company Limited, in which Ms. Chan owned 38.75% and (d) she was taken to be interested jointly with Mr. Lu Wing Yee, Wayne in 13,200,000 shares as she was one of the executors of the estate of Mr. Lu Sin (deceased).
- Based on 405,000,000 shares in issue as at 31 March 2022.

Directors' Report

SUBSTANTIAL SHAREHOLDERS (Continued)

Other than as disclosed above, as at 31 March 2022, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued shares of the Company.

EQUITY-LINKED AGREEMENTS

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

RELATED PARTY TRANSACTIONS

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

CHANGES IN DIRECTORS' AND CHIEF EXECUTIVES' INFORMATION

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

Non-executive director – Mr. Lee Ka Sze, Carmelo

Mr. Lee was appointed as an independent non-executive director of China Mobile Limited (Stock Code: 941) on 18 May 2022.

Independent non-executive director – Mr. Leung Man Chiu, Lawrence

Mr. Leung resigned as an independent non-executive director of PFC Device Inc. (Stock Code: 8231) on 25 March 2022.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 10% (2021: 11%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 34% (2021: 37%) of the Group's total turnover.

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

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

PURCHASE, SALE OR REDEMPTION OF SHARES

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his or her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

Directors' Report

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2022.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$317,805.

CORPORATE GOVERNANCE

The Board is committed to achieving and maintaining high standards of corporate governance. The Company has complied throughout the year ended 31 March 2022 with the code provisions that were in force in the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, with exception of certain deviations. Detailed information on the Company's corporate governance practices and certain deviations are set out in the Corporate Governance Report contained in pages 15 to 29 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 10 of the Executive Director's Statement, pages 11 to 14 of the Management Discussion and Analysis, and page 5 of Five-Year Financial Summary.

An overview on the financial performance of the Group's business segments, financial resources, compliance with regulations, relationships with its key stakeholders and the principal risk and uncertainties are set out in pages 11 to 14 of the Management Discussion and Analysis while social responsibilities and environmental protection policies were set out in pages 15 to 58 of the Corporate Governance Report and the Environmental, Social and Governance Report.

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

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

AUDITOR

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

On behalf of the Board

Lu Wing Yee, Wayne
Executive Director

Hong Kong, 23 June 2022

Independent Auditor's Report



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 68 to 121, which comprise the consolidated statement of financial position as at 31 March 2022, 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 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

KEY AUDIT MATTERS

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

Key audit matter

How our audit addressed the key audit matter

Valuation of investment properties

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

As at 31 March 2022, the Group's investment properties amounted to HK\$2,966,340,000, representing approximately 71% of the Group's total assets. During the year, a decrease in fair value of investment properties of HK\$136,558,000 was recognised in the consolidated statement of profit or loss and other comprehensive income.

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

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

- 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, capitalisation rates adopted and market observable transactions in other comparable properties in the neighbourhood.

OTHER INFORMATION

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

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

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

Independent Auditor's Report

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Keung To Wai, David.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
23 June 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	5	<u>122,850</u>	<u>109,784</u>
Income from godown operations		19,719	14,168
Income from property investment		96,095	91,396
Interest income		2,090	2,486
Dividend income		4,946	1,734
Other gains and losses		11,403	46,788
Other income	7	–	1,701
Exchange gain, net		695	113
Decrease in fair value of investment properties	14	(136,558)	(232,333)
Staff costs		(16,796)	(15,434)
Depreciation of property, plant and equipment		(25,054)	(22,538)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		(751)	(693)
Other expenses		<u>(28,303)</u>	<u>(23,373)</u>
Loss before taxation	10	(72,514)	(135,985)
Taxation	11	<u>(12,024)</u>	<u>(11,596)</u>
Loss and total comprehensive expense for the year attributable to owners of the Company		<u>(84,538)</u>	<u>(147,581)</u>
Loss per share – Basic	13	<u>(HK\$0.21)</u>	<u>(HK\$0.36)</u>

Consolidated Statement of Financial Position

At 31 March 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Investment properties	14	2,966,340	3,101,400
Property, plant and equipment	15	242,744	252,955
		<u>3,209,084</u>	<u>3,354,355</u>
Current assets			
Financial assets at fair value through profit or loss ("FVTPL")	16	332,538	470,161
Trade and other receivables	17	19,449	21,421
Tax recoverable		115	756
Bank deposits	18	414,538	331,049
Other deposits	18	61,069	41,166
Bank balances and cash	18	139,167	247,974
		<u>966,876</u>	<u>1,112,527</u>
Current liabilities			
Other payables	19	35,674	35,556
Tax payable		16,447	17,285
		<u>52,121</u>	<u>52,841</u>
Net current assets		<u>914,755</u>	1,059,686
		<u>4,123,839</u>	<u>4,414,041</u>
Capital and reserves			
Share capital	20	178,216	178,216
Reserves		3,849,920	4,145,058
Equity attributable to owners of the Company		<u>4,028,136</u>	<u>4,323,274</u>
Non-current liabilities			
Long-term tenants' deposits received		15,350	15,444
Deferred tax liabilities	21	79,662	74,709
Provision for long service payments	22	691	614
		<u>95,703</u>	<u>90,767</u>
		<u>4,123,839</u>	<u>4,414,041</u>

The consolidated financial statements on pages 68 to 121 were approved and authorised for issue by the Board of Directors on 23 June 2022 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Lee Ka Sze, Carmelo
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2022

	Share capital <i>HK\$'000</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2020	178,216	474,707	3,866,532	4,519,455
Loss and total comprehensive expense for the year	–	–	(147,581)	(147,581)
Dividends paid (<i>note 12</i>)	–	–	(48,600)	(48,600)
At 31 March 2021	178,216	474,707	3,670,351	4,323,274
Loss and total comprehensive expense for the year	–	–	(84,538)	(84,538)
Dividends appropriation (<i>note 12</i>)	–	–	(210,600)	(210,600)
At 31 March 2022	178,216	474,707	3,375,213	4,028,136

Consolidated Statement of Cash Flows

For the year ended 31 March 2022

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Operating activities		
Loss before taxation	(72,514)	(135,985)
Adjustments for:		
Unrealised gain on financial assets at FVTPL	(8,256)	(32,287)
Decrease in fair value of investment properties	136,558	232,333
Addition (reduction) of provision for long service payments	221	(218)
Depreciation of property, plant and equipment	25,054	22,538
Impairment loss on trade receivables under ECL model	751	693
	<hr/>	<hr/>
Operating cash flows before movements in working capital	81,814	87,074
(Increase) decrease in trade and other receivables	(4,215)	386
Decrease (increase) in financial assets at FVTPL	145,879	(209,477)
(Decrease) increase in other payables and long-term tenants' deposits received	(531)	1,850
Long service payment utilised	(144)	–
	<hr/>	<hr/>
Cash from (used in) operations	222,803	(120,167)
Income tax paid	(7,268)	(8,710)
	<hr/>	<hr/>
Net cash from (used in) operating activities	215,535	(128,877)
	<hr/>	<hr/>
Investing activities		
Withdrawal of bank deposits	439,659	533,493
Additions of bank deposits	(523,148)	(254,352)
Withdrawal of other deposits	79,225	247,399
Additions of other deposits	(99,128)	(262,549)
Additions of investment properties	(1,498)	(4,133)
Purchase of property, plant and equipment	(9,407)	(19,634)
Redemption of debt instrument at amortised cost	–	23,248
	<hr/>	<hr/>
Net cash (used in) from investing activities	(114,297)	263,472
	<hr/>	<hr/>
Cash used in a financing activity		
Dividends paid	(210,045)	(48,492)
	<hr/>	<hr/>
Net (decrease) increase in cash and cash equivalents	(108,807)	86,103
Cash and cash equivalents at beginning of the year	247,974	161,871
	<hr/>	<hr/>
Cash and cash equivalents at end of the year	139,167	247,974
	<hr/> <hr/>	<hr/> <hr/>
Analysis of cash and cash equivalents		
Bank balances and cash	139,167	247,974
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

1. GENERAL INFORMATION

Safety Godown Company, Limited (the “Company”) is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling party is Ms. Chan Koon Fung, who is also director of some of the Company’s subsidiaries. The address of the registered office and principal place of business of the Company is disclosed in the section headed “Corporate Information” in the annual report.

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

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

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

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 April 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ²
Amendments to HKFRS 3	Reference to the Conceptual Framework ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ²
Amendments to HKAS 8	Definition of Accounting Estimates ²
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ²
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ¹
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 ¹

1 Effective for annual periods beginning on or after 1 January 2022.

2 Effective for annual periods beginning on or after 1 January 2023.

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

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (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 accounted for in accordance with HKFRS 16 “Leases”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies

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.

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.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, that is, when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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 or 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date, the Group recognises revenue in the amount to which the Group has the right to invoice.

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 adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Transfer from investment property to property, plant and equipment will be made when there is a change in use, evidenced by commencement of owner occupation. For a transfer from investment property carried at fair value to owner-occupied property, the property's deemed cost for subsequent accounting is determined by reference to its fair value at the date of change in use.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Investment properties (Continued)

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 the consolidated statement of profit or loss in the period in which the property is derecognised.

Property, plant and equipment

Property, plant and equipment including leasehold land and owner-occupied properties held for use in the production or supply of goods or services, or for administrative purposes (other than property, plant and equipment under construction as described below) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Group's management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Ownership interests in leasehold land and building

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

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as right-of-use assets included in property, plant and equipment in the consolidated statement of financial position, except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

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

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

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

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment (Continued)

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. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. 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 pro rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. 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 or the group of cash-generating units. 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 or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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 "Revenue from Contracts with Customers". 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 FVTPL are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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

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

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

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is 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 fair value through other comprehensive income ("FVTOCI") as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(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

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

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 twelve months after the reporting date. Assessment is 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

(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; and
- 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) 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 financial 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.

(ii) Definition of default

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. Except for debtors with significant outstanding balances or credit-impaired assessed individually, the Group uses a practical expedient in estimating ECL on trade receivables and deferred lease receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

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. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

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

Derecognition of financial assets

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. 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 to the same taxable entity by the same taxation authority.

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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

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

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model. When a lease contract contains a specific clause that provides for rent reduction or suspension of rent in the event that the underlying assets (or any part thereof) are affected by adverse events beyond the control of the Group and the lessee so as to render the underlying assets unfit or not available for use, the relevant rent reduction or suspension of rent resulting from the specific clause is accounted for as part of the original lease and not as a lease modification. Such rent reduction or suspension of rent is recognised in profit or loss in the period in which the event or condition that triggers those payments to occur.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

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).

Government grants

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

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

Retirement benefit costs

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

Short-term and other long-term employee benefits

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

4. CRITICAL ACCOUNTING JUDGMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

a. *Fair value of investment properties*

At the end of the reporting period, the Group's investment properties are carried at a total fair value of HK\$2,966,340,000 (2021: HK\$3,101,400,000) based on the valuations performed by independent qualified professional valuers. The determination of the fair value involves certain assumptions of market conditions and significant unobservable inputs which are set out in note 14.

In relying on those valuation reports, the directors of the Company have exercised their judgments and are satisfied that the methods of valuations, assumptions and key inputs are reflective of the current market conditions taking into consideration the impact of the COVID-19 pandemic.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

Key sources of estimation uncertainty (Continued)

b. Depreciation on property, plant and equipment

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

At 31 March 2022, the carrying amount of the property, plant and equipment is HK\$242,744,000 (2021: HK\$252,955,000). Details of the movements are disclosed in note 15.

c. Fair value measurements of financial instruments

As at 31 March 2022, certain of the Group's financial assets at FVTPL amounting to HK\$9,906,000 (2021: HK\$7,674,000) are measured at fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 27c for further disclosures.

d. Provision of ECL for trade receivables

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

5. REVENUE

The amount represents the following revenue recognised during the year:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from godown operations (<i>note a</i>)	19,719	14,168
Income from property investment (<i>note b</i>)	96,095	91,396
Dividend income from listed and unlisted investments	4,946	1,734
Bank interest income	751	1,184
Other interest income	1,339	1,302
	<u>122,850</u>	<u>109,784</u>

Notes:

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Income from godown operations		
Types of goods or services (time of revenue recognition):		
Inward and outward coolie income (recognised at a point in time)	2,260	1,305
Transportation income and other income (recognised at a point in time)	1,235	603
Storage service income (recognised over time)	16,224	12,260
	<u>19,719</u>	<u>14,168</u>
Geographical market:		
Hong Kong	<u>19,719</u>	<u>14,168</u>

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

5. REVENUE (Continued)

Notes: (Continued)

(b) Leases

	2022 HK\$'000	2021 HK\$'000
For operating leases:		
Lease payments that are fixed		
Income from property investment	<u>96,095</u>	<u>91,396</u>

6. SEGMENT INFORMATION

Information analysed on the basis of the operation of the Group's businesses, including godown operations, property investment and treasury investment, is reported to the chief operating decision maker, being 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 2022

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
Segment revenue	<u>19,719</u>	<u>96,095</u>	<u>7,036</u>	<u>122,850</u>
Segment profit (loss)	<u>3,016</u>	<u>(83,128)</u>	<u>15,580</u>	(64,532)
Central administrative costs				<u>(7,982)</u>
Loss before taxation				<u>(72,514)</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2022 (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>				
Segment assets	215,590	3,012,292	808,324	4,036,206
Bank balances and cash				139,167
Unallocated other assets				587
Consolidated total assets				<u>4,175,960</u>
<i>Liabilities</i>				
Segment liabilities	2,324	40,421	295	43,040
Tax payable				16,447
Deferred tax liabilities				79,662
Unallocated other liabilities				8,675
Consolidated total liabilities				<u>147,824</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	201	16,079	61	16,341
Depreciation of property, plant and equipment	18,919	6,135	–	25,054
Fair value gain on financial assets at FVTPL	–	–	11,005	11,005
Impairment loss on trade receivables	–	751	–	751

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2021

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue	14,168	91,396	4,220	109,784
Segment (loss) profit	(758)	(173,988)	47,611	(127,135)
Central administrative costs				(8,850)
Loss before taxation				(135,985)
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>				
Segment assets	234,338	3,139,129	844,083	4,217,550
Bank balances and cash				247,974
Unallocated other assets				1,358
Consolidated total assets				4,466,882
<i>Liabilities</i>				
Segment liabilities	1,483	39,962	1,130	42,575
Tax payable				17,285
Deferred tax liabilities				74,709
Unallocated other liabilities				9,039
Consolidated total liabilities				143,608
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated total <i>HK\$'000</i>
<i>Other information</i>				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	14,538	9,229	–	23,767
Depreciation of property, plant and equipment	16,446	6,092	–	22,538
Fair value gain on financial assets at FVTPL	–	–	46,477	46,477
Impairment loss on trade receivables	–	693	–	693

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

6. SEGMENT INFORMATION (Continued)

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

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

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

Information about major customers

Revenue from a customer (in property investment segment) contributing approximately 9.9% (2021: 11.2%) of the total revenue of the Group amounted to HK\$12,177,000 in current year (2021: HK\$12,261,000).

Revenue from major services and investments

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

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

7. OTHER INCOME

During the year ended 31 March 2021, the Group recognised HK\$1,701,000 in respect of COVID-19 subsidy, which relates to Employment Support Scheme provided by the Hong Kong Government.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable during the year to each of the five (2021: six) directors were as follows:

	Executive director	Non-executive director	Independent non-executive directors			Total HK\$'000
	Lu Wing Yee, Wayne HK\$'000	Lee Ka Sze, Carmelo HK\$'000	Lam Ming Leung HK\$'000	Leung Man Chiu, Lawrence HK\$'000	Oen Li Lin HK\$'000	
2022						
Fees	158	275	275	309	398	1,415
Retirement benefits scheme contributions	18	–	–	–	–	18
Total emoluments	<u>176</u>	<u>275</u>	<u>275</u>	<u>309</u>	<u>398</u>	<u>1,433</u>

	Executive director	Non-executive director	Independent non-executive directors			Total HK\$'000
	Lu Wing Yee, Wayne HK\$'000	Lee Ka Sze, Carmelo HK\$'000	Gan Khai Choon HK\$'000 (Note i)	Lam Ming Leung HK\$'000	Leung Man Chiu, Lawrence HK\$'000	
2021						
Fees	85	287	108	287	308	1,223
Retirement benefits scheme contributions	18	–	–	–	–	18
Total emoluments	<u>103</u>	<u>287</u>	<u>108</u>	<u>287</u>	<u>308</u>	<u>1,241</u>

Notes:

- (i) Mr. Gan Khai Choon resigned on 17 August 2020.
- (ii) Ms. Oen Li Lin was appointed on 16 November 2020.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

8. DIRECTORS' EMOLUMENTS (Continued)

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

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

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

9. 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 (2021: five) highest paid individuals were as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Salaries and other benefits	4,176	3,974
Discretionary bonus	364	320
Retirement benefits scheme contributions	54	54
	<u>4,594</u>	<u>4,348</u>

The emoluments of the individuals were within the following bands:

	2022 <i>Number of employees</i>	2021 <i>Number of employees</i>
Nil to HK\$1,000,000	4	4
HK\$1,000,001 to HK\$1,500,000	1	1
	<u>5</u>	<u>5</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

10. LOSS BEFORE TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,188	1,100
– non-audit services	643	586
Gross rental income from investment properties	(96,095)	(91,396)
Less: direct operating expenses for investment properties that generated rental income during the year	10,093	8,772
direct operating expenses for investment properties that did not generate rental income during the year	1,004	735
	<u> </u>	<u> </u>
Net rental income	(84,998)	(81,889)
Fair value gain on financial assets at FVTPL (note)	(11,005)	(46,477)
	<u> </u>	<u> </u>

Note: Amount included in other gains and losses.

11. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,293	7,499
Overprovision in prior years	(222)	(26)
	<u> </u>	<u> </u>
	7,071	7,473
Deferred taxation (note 21)		
Current year	4,953	4,123
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	12,024	11,596
	<u> </u>	<u> </u>

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%.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Loss before taxation	<u>(72,514)</u>	<u>(135,985)</u>
Tax credit at the domestic income tax rate of 16.5% (2021: 16.5%)	(11,965)	(22,438)
Tax effect of expenses not deductible for tax purpose	25,844	46,910
Tax effect of income not taxable for tax purpose	(4,353)	(9,495)
Tax effect of tax losses not recognised	2,405	1,182
Tax effect of utilisation of tax losses previously not recognised	–	(4,425)
Overprovision in prior years	(222)	(26)
Others	<u>315</u>	<u>(112)</u>
Taxation for the year	<u>12,024</u>	<u>11,596</u>

12. DIVIDENDS

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Interim dividend appropriation/paid in respect of 2022 – HK4 cents (2021: HK9 cents) per ordinary share	16,200	36,450
Final dividend appropriation/paid in respect of 2021 – HK5 cents (2020: HK3 cents) per ordinary share	20,250	12,150
Special dividend appropriation/paid in respect of 2021 – HK43 cents (2020: nil) per ordinary share	<u>174,150</u>	<u>–</u>
	<u>210,600</u>	<u>48,600</u>

A final dividend of HK6 cents per share, amounting to HK\$24,300,000 has been proposed by the directors of the Company and is subject to the approval by shareholders in the forthcoming annual general meeting.

13. LOSS PER SHARE – BASIC

The calculation of basic loss per share is based on loss for the year attributable to owners of the Company of HK\$84,538,000 (2021: HK\$147,581,000) and on 405,000,000 (2021: 405,000,000) shares in issue throughout both years.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

14. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
AT FAIR VALUE		
At beginning of the year	3,101,400	3,351,900
Additions	1,498	4,133
Transfer to property, plant and equipment	–	(22,300)
Decrease in fair value recognised in profit or loss	<u>(136,558)</u>	<u>(232,333)</u>
At end of the year	<u>2,966,340</u>	<u>3,101,400</u>

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

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

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

The fair values of the Group's investment properties as at 31 March 2022 amounting to HK\$2,966,340,000 (2021: HK\$3,101,400,000) have been arrived at on the basis of valuations carried out on that date by Colliers International (Hong Kong) Limited (2021: Jones Lang LaSalle Limited and AA Property Services Limited), Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Colliers International (Hong Kong) Limited (2021: 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. Market comparison approach rests on the wide acceptance of the market transactions as the best indicator and pre-supposes that evidence of relevant transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

The revaluation gave rise to a loss arising from changes in fair value of HK\$136,558,000 (2021: HK\$232,333,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

14. INVESTMENT PROPERTIES (Continued)

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

Investment properties held by the Group in the consolidated statement of financial position	Fair value		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity
	2022 HK\$'000	2021 HK\$'000					
Industrial/office property in Kwun Tong – Lu Plaza	2,357,000	2,490,000	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 4.1% (2021: 4%). Market unit rent, taking into account direct market comparables of the property.	The higher the capitalisation rate, the lower the fair value. The higher the market unit rent, the higher the fair value.	Note (a) Note (b)
Industrial/godown premises in Kwai Chung – Safety Godown	530,440	512,400	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% (2021: 4%). Market unit rent, taking into account direct market comparables of the property.	The higher the capitalisation rate, the lower the fair value. The higher the market unit rent, the higher the fair value.	Note (a) Note (b)

Notes:

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

15. PROPERTY, PLANT AND EQUIPMENT

	Right-of-use assets – leasehold lands <i>HK\$'000</i>	Owner- occupied properties <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST						
At 1 April 2020	137,542	154,665	31,738	1,145	12,596	337,686
Additions	–	–	16,809	–	2,825	19,634
Reclassification	–	–	8,704	–	(8,704)	–
Transfer from investment properties	14,100	8,200	–	–	–	22,300
Disposal/written off	–	–	(3,987)	–	–	(3,987)
At 31 March 2021	151,642	162,865	53,264	1,145	6,717	375,633
Additions	–	–	10,198	–	4,645	14,843
Disposal/written off	–	–	(78)	–	–	(78)
At 31 March 2022	151,642	162,865	63,384	1,145	11,362	390,398
DEPRECIATION						
At 1 April 2020	16,668	64,201	22,225	1,033	–	104,127
Provided for the year	4,960	11,146	6,320	112	–	22,538
Eliminated on disposal/written off	–	–	(3,987)	–	–	(3,987)
At 31 March 2021	21,628	75,347	24,558	1,145	–	122,678
Provided for the year	4,959	11,147	8,948	–	–	25,054
Eliminated on disposal/written off	–	–	(78)	–	–	(78)
At 31 March 2022	26,587	86,494	33,428	1,145	–	147,654
CARRYING AMOUNTS						
At 31 March 2022	125,055	76,371	29,956	–	11,362	242,744
At 31 March 2021	130,014	87,518	28,706	–	6,717	252,955

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

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

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

At 31 March 2022, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK\$13,157,000 (2021: HK\$13,171,000).

16. FINANCIAL ASSETS AT FVTPL

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Equity investments, at fair value:		
Listed in:		
Hong Kong	74,141	102,668
Overseas	64,377	69,295
	<u>138,518</u>	<u>171,963</u>
Unlisted, investment funds at fair value	76,365	75,166
Unlisted, non-physical gold at fair value	78,077	179,993
Unlisted, debt instruments at fair value	39,578	41,885
Derivative financial instrument at fair value	–	1,154
	<u>332,538</u>	<u>470,161</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

17. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	8,526	4,613
Less: allowance for credit losses	<u>(2,350)</u>	<u>(1,599)</u>
	6,176	3,014
Other receivables, net of allowance for credit loss	842	2,580
Deferred lease receivables	11,061	8,769
Prepayments	550	6,086
Deposits	<u>820</u>	<u>972</u>
	<u>19,449</u>	<u>21,421</u>

Trade receivables included lease receivables and trade receivables from contracts with customers. As at 31 March 2022 and 2021 and 1 April 2020, gross trade receivables from contracts with customers amounted to HK\$3,589,000, HK\$1,572,000 and HK\$2,118,000, respectively.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 60 days	5,249	3,008
61 – 90 days	851	3
Over 90 days	<u>76</u>	<u>3</u>
	<u>6,176</u>	<u>3,014</u>

The Group has a policy of allowing credit period of 60 days to its customers in respect of godown operations and 30 days for tenants on presentation of invoices.

As at 31 March 2022, included in the Group's trade receivables balance (net of allowance for credit losses) are debtors with aggregate carrying amount of HK\$980,000 (2021: HK\$113,000) which are past due as at the reporting date. In the opinion of the directors of the Company, the trade receivables which are past due but not credit-impaired are considered to be collectable based on historical experience and related repayment history. The Group does not hold any collateral from its other customers.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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 0.15% to 0.87% (2021: 0.05% to 0.35%) per annum.

Other deposits represent deposits with security brokers which are carrying interest ranging from 0.001% to 0.02% (2021: from 0.001% to 0.02%) 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank deposits, other deposits and bank balances and cash denominated in:		
US\$	461,990	497,708
EURO ("EUR")	–	1,586
Swiss Franc ("CHF")	–	917
	<u>461,990</u>	<u>499,211</u>

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

19. OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Tenants' deposits	19,554	17,652
Receipts in advance	2,926	2,225
Dividend payable	6,126	5,571
Salary and bonus payable	1,292	2,484
Accruals	1,208	4,149
Others	4,568	3,475
	<u>35,674</u>	<u>35,556</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

20. SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2020	135,000	178,216
Share subdivision (<i>note</i>)	270,000	–
	<u>405,000</u>	<u>178,216</u>
At 31 March 2021 and 31 March 2022	<u>405,000</u>	<u>178,216</u>

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

21. DEFERRED TAXATION

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

	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2020	70,925	(339)	70,586
Charge (credit) to profit or loss	4,814	(691)	4,123
	<u>75,739</u>	<u>(1,030)</u>	<u>74,709</u>
At 31 March 2021	75,739	(1,030)	74,709
Charge (credit) to profit or loss	5,021	(68)	4,953
	<u>80,760</u>	<u>(1,098)</u>	<u>79,662</u>
At 31 March 2022	<u>80,760</u>	<u>(1,098)</u>	<u>79,662</u>

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

At 31 March 2022, the Group has estimated unused tax losses of HK\$122,728,000 (2021: HK\$107,738,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$6,658,000 (2021: HK\$6,245,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$116,070,000 (2021: HK\$101,493,000) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Balance brought forward	614	832
Addition	221	–
Utilisation during the year	(144)	–
Reduction	–	(218)
	<hr/>	<hr/>
Balance carried forward	691	614

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\$449,000 (2021: HK\$414,000).

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 (included in other payables) <i>HK\$'000</i>
At 1 April 2020	5,463
Non-cash changes – Dividends declared (note 12)	48,600
Changes from financing cash flows – Dividends paid	(48,492)
	<hr/>
At 31 March 2021	5,571
Non-cash changes – Dividends declared (note 12)	210,600
Changes from financing cash flows – Dividends paid	(210,045)
	<hr/>
At 31 March 2022	6,126

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

24. OPERATING LEASES

The Group as lessor

Property rental income earned during the year is HK\$96,095,000 (2021: HK\$91,396,000). The properties held for rental purpose have committed leases for the next one month to five years (2021: one month to three years).

Undiscounted lease payments receivable on leases are as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within one year	83,478	69,545
In the second year	52,548	33,007
In the third year	18,358	6,552
In the fourth year	2,222	–
In the fifth year	1,888	–
	<u>158,494</u>	<u>109,104</u>

25. RELATED PARTY DISCLOSURES

During the year, the Group and the Company received a reimbursement of expenses amounting to HK\$240,000 (2021: HK\$240,000) from a company which is 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 executive director's remuneration representing key management personnel of the Group, are disclosed in note 8. The remuneration of directors is determined by the Remuneration and Nomination Committee, having regard to the performance of the individuals and market trends.

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

26. CAPITAL RISK MANAGEMENT

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Financial assets		
Financial assets at amortised cost	622,594	626,732
Financial assets at FVTPL	<u>332,538</u>	<u>470,161</u>
Financial liabilities		
Amortised cost	<u>46,890</u>	<u>44,626</u>

b. Financial risk management objectives and policies

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

Market risk

(i) Currency risk

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
US\$	719,871	862,534
EUR	516	3,099
CHF	<u>-</u>	<u>917</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

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

The following table details the Group's sensitivity to a 5% (2021: 5%) rate increase or decrease in HK\$ against EUR and CHF. 5% (2021: 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% (2021: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss for the year where HK\$ weakened 5% (2021: 5%) against the relevant currencies. For a 5% (2021: 5%) strengthening of HK\$ against the relevant currencies, there would be an equal and opposite impact on the loss for the year, and the balances below would be negative.

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
EUR	22	129
CHF	–	38

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

(ii) Interest rate risk

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

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

In view of the current low-interest rate environment, the Group's management is of the opinion that the interest rate risk on bank deposits, other deposits and bank balances is insignificant.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk

The Group is exposed to equity price risk through its financial assets at FVTPL. The Group's management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange, New York Stock Exchange and Frankfurt Stock Exchange (2021: the Stock Exchange, New York Stock Exchange and Frankfurt 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% (2021: 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 financial assets at FVTPL had been 10% (2021: 10%) higher/lower, the Group's loss for the year ended 31 March 2022 would decrease/increase by HK\$33,254,000 (2021: HK\$47,016,000) as a result of the changes in fair value of financial assets at FVTPL.

Credit risk and impairment assessment

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

The Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations 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 bank and other deposits, bank balances, trade and other receivables, deferred lease receivables and unlisted debt instruments at FVTPL.

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

Unlisted debt instruments at FVTPL

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

Bank deposits, other deposits and bank balances

The credit risk on the Group's bank and other deposits and bank balances is limited as the counterparties have high credit ratings assigned by international credit-rating agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and deferred lease receivables

The Group has concentration of credit risk as 18.3% and 7.8% (2021: 37.4% and 25.3%) of the total trade receivables and total deferred lease receivables respectively was due from the Group's largest customer.

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

Other receivables and deposits

The credit risk on the Group's other receivables and deposits is limited except for credit-impaired other receivable on which loss allowance of HK\$1,592,000 (2021: HK\$1,592,000) has been provided, as the counterparties do not have any past due amounts and have low risk based on internal credit risk grading assessment.

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Notes	External credit rating		Internal credit rating		12m or lifetime ECL		Gross carrying amount	
		2022	2021	2022	2021	2022	2021	2022	2021
								HK\$'000	HK\$'000
Financial assets at amortised cost									
Trade receivables	17	N/A	N/A	Low risk	Low risk	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)	5,196	2,901
		N/A	N/A	Watch list	Watch list	Lifetime ECL (not credit-impaired)	Lifetime ECL (not credit-impaired)	980	113
		N/A	N/A	Loss	Loss	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)	2,350	1,599
Other receivables and deposits	17	N/A	N/A	Low risk	Low risk	12m ECL	12m ECL	1,662	3,552
		N/A	N/A	Loss	Loss	Lifetime ECL (credit-impaired)	Lifetime ECL (credit-impaired)	1,592	1,592
Bank deposits	18	A1 – Aa3	A1 – Aa3	N/A	N/A	12m ECL	12m ECL	414,538	331,049
Other deposits	18	Ba3 – Aa2	Baa3 – Aa2	N/A	N/A	12m ECL	12m ECL	61,069	41,166
Bank balances	18	A1 – Aa2	A1 – Aa1	N/A	N/A	12m ECL	12m ECL	139,149	247,951
Other item									
Deferred lease receivables	17	N/A	N/A	Low risk	Low risk	Lifetime ECL	Lifetime ECL	11,061	8,769

Notes:

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

During the year ended 31 March 2022 and 2021, no impairment allowance on trade receivables is provided based on provision matrix and assessed individually for significant outstanding balance as the amount is considered insignificant. Impairment allowance of HK\$2,350,000 (2021: HK\$1,599,000) was made on a credit-impaired debtor.

- ii. For the purpose of internal credit risk management, the Group use past due information to assess whether credit risks have increased significantly since initial recognition for other receivables and deposits. Impairment allowance of HK\$1,592,000 (2021: HK\$1,592,000) was made on a credit-impaired debtor. The credit risk on the remaining balances is limited having considered the credit quality of the counterparties and the probability of default is negligible. Therefore, no impairment allowances are made on these balances.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

	Trade receivables <i>HK\$'000</i>	Other receivables <i>HK\$'000</i>
At 1 April 2020	906	1,592
New financial assets originated	693	–
At 31 March 2021	1,599	1,592
New financial assets originated	751	–
At 31 March 2022	<u>2,350</u>	<u>1,592</u>

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	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
0 – 1 year	31,540	29,182
1 – 2 years	7,680	12,513
2 – 5 years	7,670	2,931
Total undiscounted cash flows	<u>46,890</u>	<u>44,626</u>
Carrying amounts	<u>46,890</u>	<u>44,626</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

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

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	31 March 2022	2021			
	HK\$'000	HK\$'000			
Financial assets at FVTPL					
Listed equity investments	138,518	171,963	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	66,459	68,646	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	9,906	6,520	Level 3	Net assets value with reference to the net assets value of the underlying fund.	The increase in the net assets value would result in an increase in fair value.
Non-physical gold	78,077	179,993	Level 2	Quoted gold prices in an active market and adjustment of management fee.	N/A
Unlisted debt instruments	39,578	41,885	Level 2	Quoted prices in market that are not active.	N/A
Derivative financial instrument – put option	–	1,154	Level 3	N/A (2021: Black – Scholes option pricing model: key input: spot rate of underlying assets and volatility.)	N/A (2021: Volatility of 18.65% (note))

Note: An increase in the volatility used in isolation would result in a significant increase in the fair value measurement of the put option, and vice versa.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

27. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Reconciliation of Level 3 fair value measurements of financial assets:

	2022 HK\$'000	2021 HK\$'000
At the beginning of the year	7,674	–
Additions	725	8,091
Net gain (loss) in profit or loss (note)	1,507	(417)
At the end of the year	<u>9,906</u>	<u>7,674</u>

Note: Of the total gains or losses for the year included in profit or loss, loss of HK\$1,154,000 and gain of HK\$2,661,000 relate to put option and unlisted investment funds, respectively, incurred during the current reporting year (2021: loss of HK\$1,749,000 and gain of HK\$1,332,000 relate to put option and unlisted investment funds respectively). Such fair value gains or losses are included in "other gains and losses".

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

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

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of these financial assets and liabilities have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

28. COMMITMENTS

	2022 HK\$'000	2021 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– refurbishment of investment properties	2,131	419
– acquisition of property, plant and equipment	2,017	2,760
	<u>4,148</u>	<u>3,179</u>
Commitment to contribute funds for an unlisted investment fund	1,837	2,561
	<u>5,985</u>	<u>5,740</u>

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets		
Property, plant and equipment	245	309
Investments in subsidiaries	58,267	81,883
Amounts due from subsidiaries	277,119	321,914
	<u>335,631</u>	<u>404,106</u>
Current assets		
Financial asset at FVTPL	–	1,154
Other receivables	582	606
Amounts due from subsidiaries	623,186	806,558
Bank deposits	288,124	186,042
Bank balances and cash	22,281	92,648
	<u>934,173</u>	<u>1,087,008</u>
Current liabilities		
Other payables	8,108	8,334
Amounts due to subsidiaries	130,247	120,000
Tax payable	16,387	16,387
	<u>154,742</u>	<u>144,721</u>
Net current assets	<u>779,431</u>	<u>942,287</u>
	<u>1,115,062</u>	<u>1,346,393</u>
Capital and reserve		
Share capital	178,216	178,216
Retained profits (note)	936,744	1,167,910
	<u>1,114,960</u>	<u>1,346,126</u>
Non-current liability		
Provision for long service payments	102	267
	<u>1,115,062</u>	<u>1,346,393</u>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 23 June 2022 and is signed on its behalf by:

Lu Wing Yee, Wayne
Director

Lee Ka Sze, Carmelo
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

Note: Movement of retained profits

	Retained profits HK\$'000
At 1 April 2020	1,220,755
Loss and total comprehensive expense for the year	(4,245)
Dividends paid (note 12)	(48,600)
	<hr/>
At 31 March 2021	1,167,910
Loss and total comprehensive expense for the year	(20,566)
Dividends appropriation (note 12)	(210,600)
	<hr/>
At 31 March 2022	<u>936,744</u>

30. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries at 31 March 2022 and 2021 are as follows:

Name of company	Place of incorporation/ registration/ operations	Paid-up capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			2022	2021	
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
Cofine Investment Limited	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	100%	100%	Securities trading
Gaylake Limited	Hong Kong	HK\$1,000 Ordinary shares	100%	100%	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Property investment
Good Ready Investment Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Property investment
Luck Rise Development Limited	Hong Kong	HK\$1 Ordinary share	100%	100%	Operating mini-godown
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	100%	Securities trading

Notes to the Consolidated Financial Statements

For the year ended 31 March 2022

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

The above table lists the major subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

Particulars of Major Properties

Particulars of major properties which were held by the Group at 31 March 2022 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq. ft.</i>	Type
The whole of Safety Godown (except G/F, M/F, 5/F and Portion A on 6/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	338,000	Industrial/godown premises

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq. ft.</i>	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000 and 191 car-parking spaces	Office
G/F, M/F, 5/F and Portion A on 6/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	83,000	Industrial/godown premises