

安全貨倉有限公司

**SAFETY GODOWN COMPANY, LIMITED**

(Stock code 股份代號: 237)

**ANNUAL REPORT  
2021**



# 振萬廣場



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

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



中西日美食匯聚，  
不僅環境舒適，  
且各有風味。  
Signature Chinese,  
Western and Japanese  
cuisines are housed  
in a comfortable  
environment.



商務中心提供優質的會議場所和多功能活動場地，並附設健身室，適合舉辦不同的會議和活動。  
The LU+ Business Centre features with high quality meeting venues and multi-purpose function rooms with fully equipped and fitness space.



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# Corporate Information

## DIRECTORS

### Executive 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 (*appointed on 16 November 2020*)

Mr. Gan Khai Choon (*resigned on 17 August 2020*)

## 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

## AUDITOR

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 and Special Dividend

Payment of Final Dividend and Special Dividend

## AUDIT COMMITTEE

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

*(appointed as Chairman on 17 August 2020)*

Mr. Lee Ka Sze, Carmelo

Mr. Lam Ming Leung

Ms. Oen Li Lin

*(appointed as member on 16 November 2020)*

Mr. Gan Khai Choon (*resigned as Chairman and member on 17 August 2020*)

## REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung (*Chairman*)

Mr. Lee Ka Sze, Carmelo

Mr. Leung Man Chiu, Lawrence

Ms. Oen Li Lin

*(appointed as member on 16 November 2020)*

Mr. Gan Khai Choon

*(resigned as member on 17 August 2020)*

## INVESTMENT COMMITTEE

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

*(appointed as Chairman and member on 9 February 2021)*

Ms. Oen Li Lin

*(appointed as member on 9 February 2021)*

## 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

24 June 2021

13 August 2021

i) 10 to 13 August 2021 (both days inclusive) (to ascertain the shareholders' right to attend and vote at the AGM)

ii) 23 to 26 August 2021 (both days inclusive) (to ascertain the shareholders' right to dividends payment)

26 August 2021

10 September 2021

# Biographical Information of Directors and Senior Management

## EXECUTIVE DIRECTOR

**Mr. Lu Wing Yee, Wayne**, aged 47, 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 Mr. Lu Sin, the late 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 61, 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 KWG Property Holding Limited and a non-executive director of Playmates Holdings Limited, both of which are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

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

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

**Mr. Leung Man Chiu, Lawrence**, aged 73, 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, PFC Device Inc., and SMC Electric Limited, all 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 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.

# Biographical Information of Directors and Senior Management

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**Ms. Oen Li Lin**, aged 59, 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 Audit Committee, Remuneration and Nomination Committee and Investment Committee of the Company.

## SENIOR MANAGEMENT

**Mr. Huang Hwei Ru**, aged 72, is the 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 73, is an Assistant General Manager of the Group. He is responsible for the general administration of the Group. He has joined the Group since 1973. He was the assistant to the late Chairman of the Group, Mr. Lu Sin from 1992 to 2015.

# Five-year Financial Summary

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
<b>Consolidated Statement of Profit or Loss and Other Comprehensive Income</b>					
<b>Turnover</b>					
Godown operations	14,168	19,958	24,411	22,195	31,816
Property investment	91,396	96,651	93,947	85,257	79,988
Treasury investment	4,220	21,003	23,917	16,063	10,600
	<b>109,784</b>	<b>137,612</b>	<b>142,275</b>	<b>123,515</b>	<b>122,404</b>
<b>(Loss) Profit attributable to owners of the Company</b>					
Godown operations	(758)	3,562	8,526	10,754	15,079
Property investment	58,345	63,509	66,218	58,761	58,019
Treasury investment	47,611	(29,042)	(4,039)	23,534	28,451
Gain (Loss) on disposal of property, plant and equipment	–	8	7	–	(9)
(Decrease) Increase in fair value of investment properties	(232,333)	(307,600)	227,873	412,146	187,389
Other administrative costs	(8,850)	(9,714)	(7,778)	(6,630)	(6,226)
(Loss) Profit before taxation	(135,985)	(279,277)	290,807	498,565	282,703
Taxation	(11,596)	(13,250)	(11,765)	(27,352)	(13,073)
(Loss) Profit for the year attributable to owners of the Company	<b>(147,581)</b>	<b>(292,527)</b>	<b>279,042</b>	<b>471,213</b>	<b>269,630</b>
Core earnings	<b>84,752</b>	<b>15,065</b>	<b>51,162</b>	<b>59,067</b>	<b>82,250</b>
<b>Consolidated Statement of Financial Position</b>					
Total assets	4,466,882	4,658,248	5,022,118	4,699,817	4,330,794
Total liabilities	(143,608)	(138,793)	(135,009)	(126,271)	(133,753)
	<b>4,323,274</b>	<b>4,519,455</b>	<b>4,887,109</b>	<b>4,573,546</b>	<b>4,197,041</b>
<b>Per Share</b>					
(Loss) Earnings per share (Note 1)	(HK\$0.36)	(HK\$0.72)	HK\$0.69	HK\$1.16	HK\$0.67
Core earnings per share (Note 1 and 2)	HK\$0.21	HK\$0.04	HK\$0.13	HK\$0.15	HK\$0.20
Dividends per share (Note 1)	HK57 cents	HK5.67 cents	HK42.67 cents	HK18.67 cents	HK43.33 cents
Dividend payout ratio (Note 3)	272.38%	152.26%	337.70%	127.99%	213.40%
Net asset value per share (Note 1)	HK\$10.67	HK\$11.16	HK\$12.07	HK\$11.29	HK\$10.36
<b>Ratios</b>					
Return on average shareholder's funds	-3.34%	-6.22%	5.90%	10.74%	6.18%
Current ratio	21.05:1	21.91:1	22.34:1	28.75:1	18.80:1
Gearing ratio (Note 4)	–	–	–	–	–
P/E ratio (Note 5)	N/A	N/A	6.72	5.01	9.37

## Notes:

- The number of shares for the calculation of (loss) earnings per share, core earnings per share, dividends per share and net asset value per share have been adjusted for the effect of the Share Subdivision (as defined in section headed "Dividends" set out in page 6 below).
- 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 (loss) 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 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 at balance sheet date. As there were no borrowings during the past 5 years, the gearing ratios for the 5 years were therefore equal to zero.
- Based on closing price as at 31 March for each year.

# Executive Director's Statement

I hereby present the annual results of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2021 (the "Period").

## DIVIDENDS

The Board of Directors (the "Board") has resolved to recommend the payment of a final dividend of HK5 cents (2020: HK3 cents per share (on the basis there being 405,000,000 shares of the Company in issue immediately after the share subdivision on the basis that every one existing share of the Company was subdivided into three subdivided shares of the Company with the effective date of 18 August 2020 (the "Share Subdivision")), amounting to HK\$20,250,000 (2020: HK\$12,150,000) and a special dividend of HK43 cents (2020: nil) per share, amounting to HK\$174,150,000 for the year ended 31 March 2021, to shareholders of the Company (the "Shareholders") whose names appear on the register of members of the Company (the "Register of Members") on 26 August 2021 subject to the approval of Shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The proposed final dividend and special dividend will be despatched to Shareholders on 10 September 2021. Together with the interim dividend of HK9 cents per share already paid on 11 January 2021, the total distribution for the Period will be HK57 cents per share (2020: approximately HK5.67 cents per share (restated after Share Subdivision)).

The Board always considers different investment proposals or opportunities from time to time in order to enhance the profitability of the Company. However, given the current economic conditions in association with the COVID-19 pandemic, the Board does not anticipate that any significant transaction or project will be materialised in the near future. Having considered the healthy financial position of the Company, the special dividend is meant to be a reciprocity to our Shareholders as a token of appreciation for their long-term support and trust.

## BUSINESS REVIEW

During the Period, the loss attributable to owners of the Company was HK\$147,581,000 (2020: HK\$292,527,000) and the core earnings based on the loss attributable to owners netted off the fair value loss on investment properties and the gain on disposal of property, plant and equipment of the Group was HK\$84,752,000 (2020: HK\$15,065,000).

### Godown operations segment

During the Period, the overall godown operations was severely impacted by the continual outbreak of COVID-19 pandemic, the revenue and performance of the godown operations decreased by approximately 29% to HK\$14,168,000 from HK\$19,958,000 and 121% to a loss of HK\$758,000 from a profit of HK\$3,562,000, respectively. The utilisation rate declined to approximately 36% from 58% whilst the average rent per cubic meter increased to approximately HK\$92 from HK\$79.

### Properties investment segment

During the Period, the rental revenue of Lu Plaza which is the major property investment of the Group decreased by approximately 6% to HK\$72,124,000 from HK\$76,773,000. The average occupancy rate of Lu Plaza decreased by approximately 3% to approximately 80% during the Period.

In order to attract and retain tenants, the Group will launch "The LU+", a business centre cum co-working space which is situated on the third floor of Lu Plaza in June 2021. The business centre provides multi-purpose meeting rooms, fitness and recreational room and lounge area. The meeting rooms are equipped with high speed Wi-Fi access, LCD screens, projectors and online conferencing equipment to cater for various kinds of activities, events, trainings, presentations and business meetings. The fitness and recreation room offers the state-of-the-art cardiovascular and weight-training equipment from Technogym. The new facility aims to respond to the new aspirations of the tenants in a post pandemic working environment and facilitate the collaboration, brainstorming, innovation, creativity, sharing and work-life balance for the workforce of the tenants.

Other rental income decreased slightly for the Period amounting to HK\$19,272,000.

# Executive Director's Statement

## Treasury investment segment

During the Period, the revenue decreased by approximately 80% to HK\$4,220,000 (2020: HK\$21,003,000), whereas the profit increased by approximately 264% to HK\$47,611,000 (2020: a loss of HK\$29,042,000).

In order to enhance the portfolio management with clear investment objectives and guidelines, the Board established an investment committee on 9 February 2021. The investment objectives will remain focused on quality stocks and fixed income investments for the purpose of long-term capital appreciation.

## RESPONSE TO THE COVID-19 PANDEMIC

Since the preliminary outbreak of the pandemic in early 2020, the Group has implemented a series of precautionary and control measure to ensure the safety of the workforce and stakeholders including our tenants, customers and neighbouring communities. The adopted measure include:

- Regular sanitization and cleaning work;
- Specialised disinfection and sanitization work for the whole area of a confirmed case;
- Flexible and remote work arrangements;
- Social distancing within the workplace;
- Online meetings as far as possible;
- Temperature screening at all access points of office and godown premises;
- Provision of face mask and sanitizer products to all employees;
- Request for self-quarantine following travel, development of symptoms or interaction with confirmed case;
- Compulsory testing to be reimbursed by the Company; and
- Provision of updates on infection situation to all employees via internal communication means on daily basis.

## OUTLOOK

The overall economy of Hong Kong has been severely battered by the outbreak of the COVID-19 pandemic. Although certain degree of economic rebounds from the low levels have been seen in the first half of 2021, the revival of inbound tourists and lifting of social distancing measures are the key determinants of economic recovery. However, we are cautiously optimistic that all the governments worldwide are capable of coping with the complex circumstances of the pandemic and pushing forward a smooth transition to normality in a prudent manner. A full-blown global economic recovery shall be dependent upon the successful developments of high efficiency vaccines and implementation of vaccination programmes worldwide which will effectively enable the progressive easing of both local and international travel and cross-border restrictions.

# Executive Director's Statement

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The Hong Kong office leasing momentum remained weak in general from the fourth quarter of 2020 to the first half of 2021 because of the conservative attitude and limited expansionary demand of corporates which were driven by the rationalisation and flexibility of remote work arrangements. Lack of economic prospects will continue to limit the upside of the office rents in Hong Kong. During the Period, the Group had successfully implemented flexible approach towards leasing negotiations with suitable incentives to retain and attract tenants.

"The LU+" so far successfully attracted nearly 30 companies and organisations to organize events or meetings. Many of which are chambers and non-profit organisations. We anticipate that "The LU+" will become an attractive feature of Lu Plaza and hopefully will attract more footfall and potential tenants.

Thanks to the gradual increase in business activities, the godown business has picked up in the months of April and May 2021. We hope the performance would improve this financial year and record satisfactory result.

As at 31 March 2021, the Group's total cash and bank balances amounted to approximately HK\$620,189,000, of which approximately HK\$331,049,000 was arranged 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.

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

**Lu Wing Yee, Wayne**

*Executive Director*

Hong Kong, 24 June 2021

# Management Discussion and Analysis

## FINANCIAL OVERVIEW

For the year ended 31 March 2021 (the "Period"), the Group's loss attributable to owners was HK\$147,581,000 (2020: HK\$292,527,000) whilst the core earnings, excluding the loss on investment properties revaluation of HK\$232,333,000 (2020: HK\$307,600,000) and the gain of disposal of property, plant and equipment of nil (2020: HK\$8,000), increased by approximately 463% to HK\$84,752,000 (2020: HK\$15,065,000). Total revenue fell by approximately 20% to HK\$109,784,000 (2020: HK\$137,612,000).

The increase of core earnings was mainly due to the fair value gain from financial assets at fair value through profit or loss of HK\$46,477,000 recorded for the Period as compared with a loss of HK\$46,590,000 for the corresponding period of last year. The profits of godown operations and property investment (excluding the decrease in fair value of investment properties) decreased by HK\$4,320,000 and HK\$5,164,000, respectively.

During the Period, the Company declared dividends in the total amount of HK\$48,600,000 (2020: HK\$145,800,000). As at 31 March 2021, the consolidated shareholders' fund and net asset value per share of the Company amounted to HK\$4,323,274,000 (31 March 2020: HK\$4,519,455,000) and HK\$10.67 (31 March 2020: HK\$11.16 (restated)), respectively. Loss per share for the Period registered at HK\$0.36 (2020: HK\$0.72 (restated)).

### Godown operations segment

During the Period, our revenue generated from godown operations decreased by 29% to HK\$14,168,000 (2020: HK\$19,958,000) and the respective segment performance decreased by approximately 121% to a loss of HK\$758,000 (2020: a profit of HK\$3,562,000).

The profit margin of the godown operations declined to a negative profit margin of 5% (2020: a positive profit margin of 18%). The average storage utilisation rate decreased to 36% from 58% whilst the average storage rent increased by approximately 16% to around HK\$92 (2020: HK\$79) per cubic meter.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average utilisation rate, being percentage of godown space occupied by cargo. Average storage rent per cubic meter (CBM), being average storage rent charged per CBM of cargo handled.
- Source of underlying data: Internal company data
- Assumption: Maximum capacity of the godown is 31,100 CBM
- Purpose: Occupancy rate and average storage rent per CBM are key drivers for performance

### Property investment segment

Lu Plaza is the major investment property of the Group and its average occupancy rate recorded at approximately 80% during the Period. The tenant mix of Lu Plaza includes consumer products, trading, logistics, information technology, engineering and catering businesses.

Total rental income generated from property investment amounted to HK\$91,396,000 (2020: HK\$96,651,000), a decrease of approximately 5% compared with that of the last year. The segment profit (excluding the decrease in fair value of investment properties) was HK\$58,345,000 (2020: HK\$63,509,000), representing a decrease of approximately 8% as compared with the corresponding period of the last year. Rental revenue (including carparking rental income) of the Lu Plaza decreased from HK\$76,773,000 of the last year to HK\$72,124,000 for the Period.

# Management Discussion and Analysis

The fair value of the Group's investment properties as at 31 March 2021 amounted to HK\$3,101,400,000 (31 March 2020: HK\$3,351,900,000) based on an unrealised loss of HK\$232,333,000 (2020: HK\$307,600,000) which had been recognised in profit or loss for the Period.

The average occupancy rate of Lu Plaza fell slightly to approximately 80% from approximately 83% in the year. The average monthly rental per square feet maintained at around HK\$17.

Lu Plaza is situated at Kwun Tong which is in the Kowloon East district. The rental level in the Kowloon East district remains subdued because of abundant new supply of Grade A office space in the recent years. Our competitors are mainly the landlords particularly those with office properties near the Lu Plaza. Factors for the intense competition includes location, quality and rental rate. This competition could have a material adverse effect on our ability to maintain steady occupancy rate and on the amount of rental revenue that we could generate.

Methodology of calculating Key Performance Data:

- Definition and calculation: Average occupancy rate, being percentage of lettable floor area occupied by tenants. Average monthly rental income per square feet (sq. ft.), being average rental income charged per sq. ft. of the floor area leased.
- Source of underlying data: Internal company data
- Purpose: Occupancy rate and average monthly rental income per sq. ft. are key drivers for performance
- No changes have been made to the source of data or calculation methods used compared to 2020

## Treasury investment

Revenue from the treasury investment decreased by approximately 80% to HK\$4,220,000 (2020: HK\$21,003,000) for the Period, which was mainly attributable to the decrease in dividend income from equity investments and bank interest income. Meanwhile, a profit of HK\$47,611,000 was recorded (2020: a loss of HK\$29,042,000), which was mainly due to the realised and unrealised gains of HK\$14,190,000 and HK\$32,287,000, respectively (2020: losses of HK\$24,595,000 and HK\$21,995,000, respectively). As at 31 March 2021, the financial assets at fair value through profit or loss valued at HK\$470,161,000 (31 March 2020: HK\$223,208,000), an increase of approximately 111%.

Since the Group converted some Hong Kong dollars into foreign currencies, an exchange gain of HK\$113,000 (2020: a loss of HK\$19,000) was recorded for the Period. As United States dollar is pegged to the Hong Kong dollar, the Group's exposure to foreign exchange risk as at 31 March 2021 was insignificant.

## OPERATING COSTS

The operating costs of the Group, mainly comprising of staff costs, repairs and maintenance, depreciation and other administrative costs including property management fees, legal and professional fees and securities brokers' fees, decreased by approximately 7% to HK\$23,373,000 (2020: HK\$25,102,000). The staff costs for the year was HK\$15,434,000 (2020: HK\$16,087,000). Depreciation for the Period amounted to HK\$22,538,000 (2020: HK\$19,320,000), representing an increase of approximately 17%, which was mainly due to the additional provision for depreciation as certain investment properties changed to owner-occupied properties and a significant amount of additions of leasehold improvements, furniture, fixtures and equipment.

# Management Discussion and Analysis

## 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 2021 amounted to HK\$620,189,000 (31 March 2020: HK\$798,077,000). 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 operation 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\$87,074,000 (2020: HK\$72,496,000), increased by approximately 20%. As at 31 March 2021, net current assets amounted to HK\$1,059,686,000 (31 March 2020: HK\$1,023,815,000) with a liquidity ratio (total current assets divided by total current liabilities) of 21.05 times (31 March 2020: 21.91 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 2021, the Group had a net asset value of HK\$4,323,274,000 (31 March 2020: HK\$4,519,455,000).

## 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.

## RELATION WITH EMPLOYEE, 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 schemes designed to motivate and reward employees at all levels to deliver their best performance and achieve business performance targets. For continuous development, the Group offers job related trainings and provides sponsorship/subsidies to employees who are committed to professional development and training.

As at 31 March 2021, the Group employed 37 (31 March 2020: 34) employees. Total staff cost was HK\$15,434,000 (2020: HK\$16,087,000). 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 fulfill 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. Tenant's need and feedbacks are communicated through the property manager from time to time to cater for tenants' requirements and ensure their satisfaction.

# Management Discussion and Analysis

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 warehouse segment and the property market, the interest rate changes and the political and legal situation in Hong Kong may have a significant impact on the Group's operating results and financial 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 conditions around the world, especially those in Mainland China, Europe, Asia Pacific and Hong Kong, which in turn could have a significant impact on the godown business. The Group is primarily engaged in the provision of godown services to manufacturers, wholesalers, retailers, media and publishers and other relevant customers. We are therefore dependent on our customers' business performance and prospects in their respective sectors, markets and industries.

### Property investment

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

### Treasury investment

For the treasury investment, the fluctuation in market value of the investment portfolio could significantly affect the profitability of the Group. According to the Hong Kong Financial Reporting Standards, the gain/loss on the listed securities should be booked as fair value gain/loss on financial assets at fair value through profit or loss in the Statement of Profit or Loss and Other Comprehensive Income, no matter whether the securities are disposed or not. Therefore, the fluctuation in market or trading price 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 28 to the consolidated financial statements from pages 103 to 110.

# Management Discussion and Analysis

## GROUP'S ABILITY TO FUND CURRENT AND FUTURE OPERATIONS

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

## DIVIDEND POLICY

It is the Board's intention to provide shareholders with relatively consistent dividend income over the long term. The Group generally provides 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 8.

## PLEDGE OF ASSETS

As at 31 March 2021, the Group did not pledge any of its assets.

## CONTINGENT LIABILITIES

As at 31 March 2021, 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, 10 August 2021 to Friday, 13 August 2021, 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, 9 August 2021.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Monday, 23 August 2021 to Thursday, 26 August 2021, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 20 August 2021.

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with all the code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) throughout the year ended 31 March 2021 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, 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 14 August 2020 in accordance with the Articles.

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

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

# Corporate Governance Report

## 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 2021.

## 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.

Following the resignation of Mr. Gan Khai Choon as an Independent Non-executive Director on 17 August, 2020, the Board comprises four members including one Executive Director, one Non-executive Director and two Independent Non-executive Directors. The Board had not met the requirement to have at least three Independent Non-executive Directors under Rule 3.10(1) of the Listing Rules. As such, the Company had been actively identifying suitable candidates for appointment as an Independent Non-executive Director in order to meet the requirement under Rule 3.10(1) of the Listing Rules.

On 16 November 2020, Ms. Oen Li Lin was appointed as an Independent Non-executive Director, within the three-month grace period allowed under Rule 3.11 of the Listing Rules. Accordingly, the Company has complied with the requirement under Rule 3.10(1) of the Listing Rules since 16 November 2020.

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 six board meetings during the year. Details of Directors’ attendance records are as follows:

Directors	Attendance/Number of meetings held during term of office within the year	
	Board Meetings	Annual General Meeting
<i>Executive Director</i>		
Mr. Lu Wing Yee, Wayne	6/6	1/1
<i>Non-executive Director</i>		
Mr. Lee Ka Sze, Carmelo	6/6	0/1
<i>Independent Non-executive Directors</i>		
Mr. Lam Ming Leung	6/6	0/1
Mr. Leung Man Chiu, Lawrence	6/6	1/1
Ms. Oen Li Lin (appointed on 16 November 2020)	4/4	N/A
Mr. Gan Khai Choon (resigned on 17 August 2020)	1/2	0/1

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

# Corporate Governance Report

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

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

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

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

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

## 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 2021 and the training received by each of the existing Directors during the year ended 31 March 2021 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 Chief Executive Officer of the Company. After passing away of Mr. Lu Sin on 5 April 2015, the position of the Chairman and the Chief Executive Officer of the Company have not been filled up as at the date of this report. Until the appointment of a new Chairman, the Board collectively focuses on the overall strategic planning and development of the Group and effective functioning of the Board. At the same time until the appointment of a new Chief Executive Officer, the Executive Director with the 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, namely 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 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. Mr. Gan Khai Choon resigned as member on 17 August 2020 and Ms. Oen Li Lin was appointed as member on 16 November 2020.

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 Director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. The nomination process, selection criteria and succession planning are set out in the policy for nomination adopted by the Board (the "Nomination Policy"). The emoluments of Directors are based on the skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability.

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

# 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, three meetings were held and the attendance records of individual members at Remuneration and Nomination Committee meetings are as follows:

<b>Members</b>	<b>Number of meetings attended/held during term of office within the year</b>
Mr. Lam Ming Leung ( <i>Chairman of the Committee</i> )	3/3
Mr. Lee Ka Sze, Carmelo	3/3
Mr. Leung Man Chiu, Lawrence	3/3
Ms. Oen Li Lin (appointed as member on 16 November 2020)	1/1
Mr. Gan Khai Choon (resigned as member on 17 August 2020)	0/1

# 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 appointment of new Director and the re-appointment of retiring Directors;
- (b) assessing the independence of the Independent Non-executive Directors;
- (c) reviewing and approving the annual salary and bonus for staff of the Group;
- (d) reviewing and approving the remuneration to the Executive Director and senior management; and
- (e) making recommendation to the Board on the remuneration for Non-executive Directors.

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

The remuneration of the members of the senior management (including Executive Director) by band for the year ended 31 March 2021 is set out below:

<b>Remuneration bands (HK\$)</b>	<b>Number of person(s)</b>
0 to 1,000,000	3

## **BOARD DIVERSITY POLICY**

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

The Board recognises the importance of having a diverse Board in enhancing the Board'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. Mr. Gan Khai Choon resigned as chairman and member on 17 August 2020. Following the above resignation, Mr. Leung Man Chiu, Lawrence who is an independent non-executive director of the Company, was appointed the chairman of the Audit Committee on 17 August 2020. Ms. Oen Li Lin was appointed a member of the Audit Committee on 16 November 2020.

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	Number of meetings attended/held during term of office within this year
Mr. Leung Man Chiu, Lawrence ( <i>appointed as Chairman on 17 August 2020</i> )	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Lam Ming Leung	2/2
Ms. Oen Li Lin ( <i>appointed as member on 16 November 2020</i> )	1/1
Mr. Gan Khai Choon ( <i>resigned as Chairman and member on 17 August 2020</i> )	0/1

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

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

# 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 2021/22. The recommendation will be presented for the approval of shareholders at the annual general meeting to be held on 13 August 2021.

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

Nature of services	2021 HK\$	2020 HK\$
Review fee for interim results	195,000	180,000
Audit fee for final results	1,100,000	1,020,000
Taxation consultancy services fee	163,200	132,900
Internal control assessment and enterprise risk management advisory services	138,000	69,000
Consultancy service for Environmental, Social and Governance Reporting	90,000	90,000
Total audit and non-audit services	<u>1,686,200</u>	<u>1,491,900</u>

## ACCOUNTABILITY

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

# 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 55 to 58 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 risks management and control measures. The system includes a defined management structure with limits of authority, safeguards its assets against unauthorised use or disposition, ensures the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensures compliance with relevant laws and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage the risks of failure in the Group's operational systems and in the achievement of the Group's objectives.

### **Risk 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 prioritization**

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 process of the Group:

1. Expenditure management;
2. Fixed assets management;
3. Compliance; and
4. Operating system effectiveness and development.

The report with recommendations has 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 2021.

## 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 2021 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 2021 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.

# Corporate Governance Report

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

## **(b) Procedures for putting forward enquires to the Board**

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

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

E-Mail: [info@safetygodown.com.hk](mailto: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 such election at a general meeting.

## COMPANY SECRETARY

The Company engages an external service provider, Ms. Mui Ngar May, Joel, as its company secretary. Ms. Mui possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Lu Wing Yee, Wayne, Executive Director of the Company is the primary contact person who Ms. Mui contacts, Ms. Mui has confirmed that she has taken no less than 15 hours of relevant professional training during the year.

## INVESTOR RELATIONS

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

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

## DIVIDEND POLICY

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

# Corporate Governance Report

## SOCIAL RESPONSIBILITIES AND SERVICES AND ENVIRONMENTAL POLICY

Committed to the belief of creating profits and acting in the interests of shareholders, the Group always bears in mind and fulfills its social responsibilities towards society, environment and employees with persistence. In the past year, the Group participated in various public welfare or community activities, including the blood donation campaign organised by Hong Kong Red Cross, the House Sponsorship Programme of Po Leung Kuk; the Community Chest – Skip Lunch Day, the Community Chest Green Day and the Love Teeth Day. The Group also sponsored the Majestic Drums organised by Hong Kong Chinese Orchestra and the Chung Ying Theatre to launch drama education and outreach programs for the elderly people, women, students and mental illness outpatients. Through the long-term partnership with Baptist Oi Kwan Social Service, the Group participated in various community services, including continuing education centres, employment support, donation and fund raising 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. In addition, the Group facilitated the elderly people who needed to repair home appliances. The Group donated scholarships, education subsidies and tablet computers to St. Francis of Assisi’s College, Diocesan Boys’ School, Ying Wa College, CNEC Christian College, Buddhist Lam Bing Yim Memorial School and the Open University of Hong Kong. During the COVID-19 pandemic, the Group helped develop adventure courses, donated reusable facial masks and provided photocatalyst coating spraying arrangements to several schools.

Furthermore, we donated money to Evangel Children’s Home to provide children with special needs from low-income families and comprehensive day care and support services.

The Group also promotes and takes part in environmental protection activities, including recycling of 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 pushes ahead the implementation plans to create a green working environment.

Amid the COVID-19 pandemic throughout 2020, the Group adopted the following anti-pandemic measures to ensure the health and safety of its employees:

1. Dividing the workforce into two groups to work from home alternately to avoid group gathering and mitigate the risk of infection;
2. Providing face masks and disinfection products to employees;
3. Disinfecting the office building with photocatalyst coating spraying to maintain the highest level of safety and cleanliness of working environment;
4. Arranging office staff to work on different floors to prevent the risk of group infection; and
5. Distributing rice, cooking oil and canned food to employees in the early stage of the pandemic.

The Hong Kong Council of Social Service has awarded the Group with the “15 years Plus Caring Company” certificate to signify as a compliment to the past contributions of the Group.

**Lu Wing Yee, Wayne**  
*Executive Director*

Hong Kong, 24 June 2021

# Environmental, Social and Governance Report

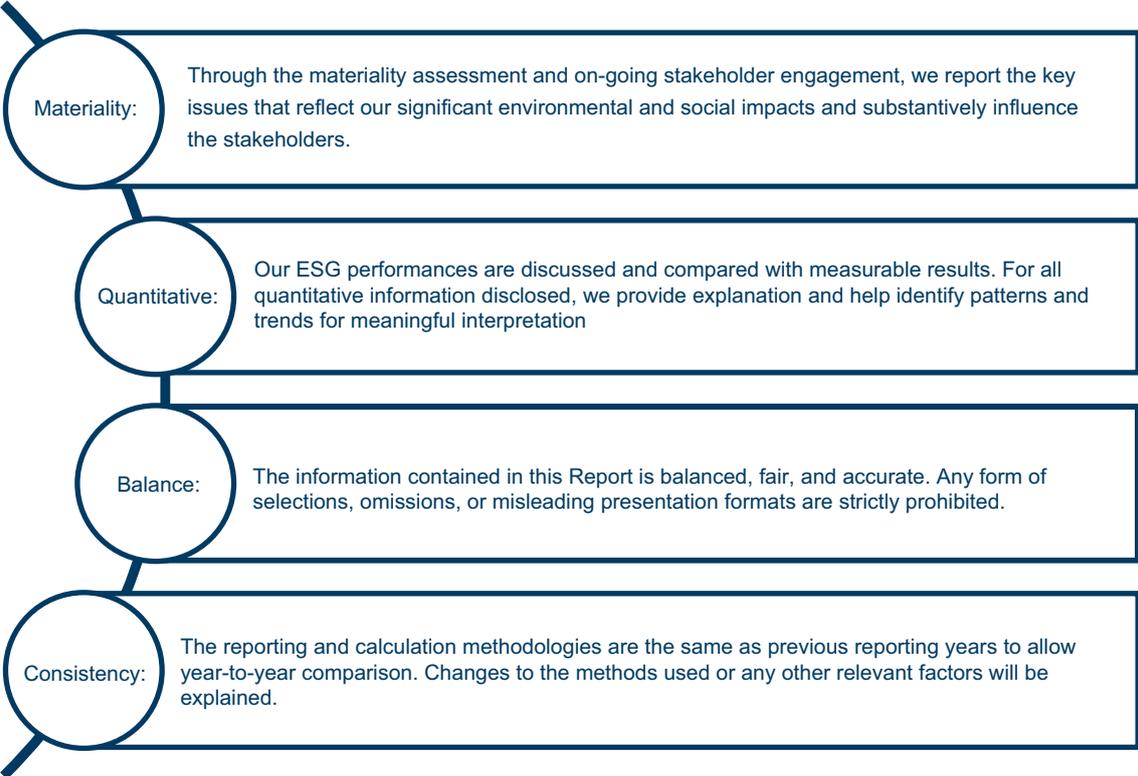
This Environmental, Social and Governance (“ESG”) Report (the “Report”) is the fifth ESG Report of Safety Godown Company, Limited (the “Company”, together with its subsidiaries, collectively as the “Group”, “We”, “our” or “us”). It presents the ESG strategies of the Group and its commitment to promote 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 2021 (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

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## 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, to create value in environmental protection, human care and 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

Pursuit of excellence taking into account of green development

### Report Confirmation and Approval

The senior management and the Board of Directors of the Group have reviewed and approved the ESG report in June 2021, 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 of 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.
- 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 headed by the Board of Directors provides a strong basis for incorporating sustainability into our daily businesses and ensuring the interests and expectations of our stakeholders are considered for in our development strategies and implementations. The well-established framework facilitates communications and divides roles and responsibilities of the team to properly tackle ESG issues. The structure of our ESG governance team is indicated as below:

### Roles



### Responsibilities

The Board of Directors determines the overall ESG strategies and direction of the Group. It performs the annual risk assessment to oversee the Group's ESG performances and identify ESG-related risks and opportunities. Furthermore, the Board takes a monitoring role to ensure that appropriate and effective risk management and internal control systems are in place to manage ESG-related risks.

The senior management of major functional departments is empowered by the Board to develop ESG policies and procedures, initiatives and implementation plans to align business operations with the Group's ESG and sustainability goals. They are also responsible for implementing effective risk management and internal control systems in tackling ESG-related risks, and providing annual confirmation on their effectiveness to the Board.

A dedicated ESG working group was established in 2018 to handle the ESG activities of the Group. The taskforce comprises of selected members with sufficient and adequate ESG knowledge from core departments to conduct internal and external materiality assessments, to engage with stakeholders, to promote ESG policies and initiatives in operations, to measure ESG data, to participate in ESG reporting, etc.

# Environmental, Social and Governance Report

## STAKEHOLDER ENGAGEMENT

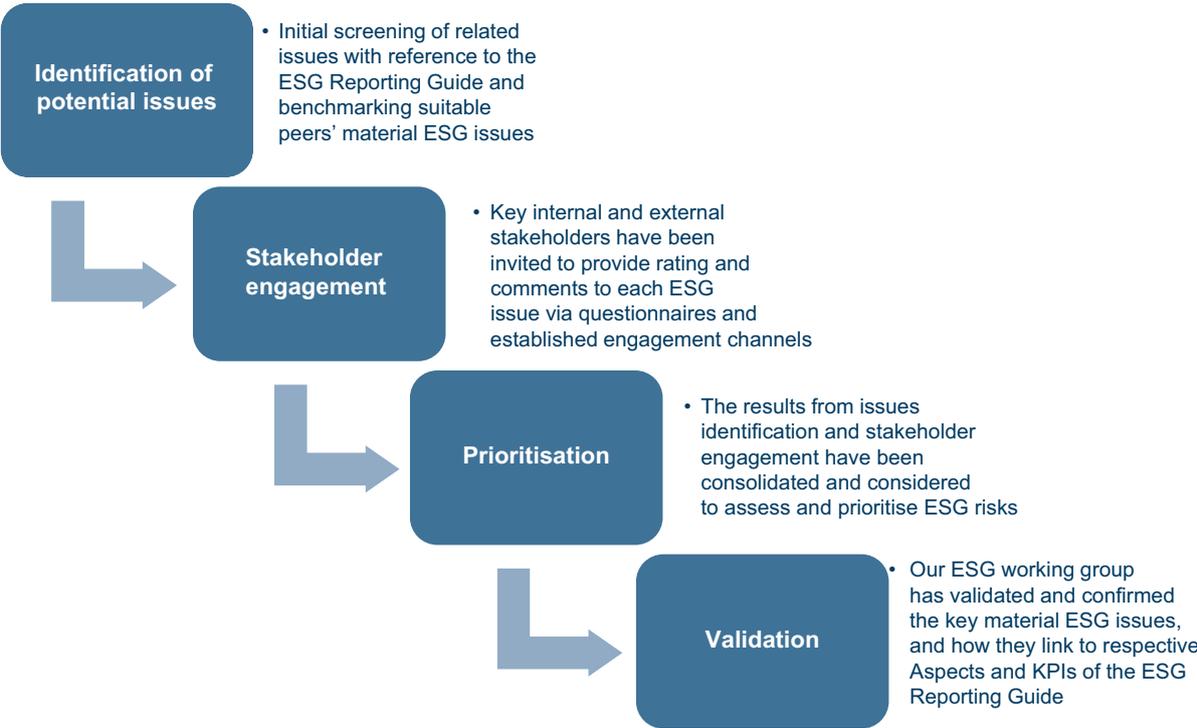
We pay much attention to our stakeholders' feedback to formulate a balanced and sustainable development strategy that can best address stakeholders' needs and expectations. In order to identify key ESG matters of the Group, we have engaged with the internal and external stakeholders of the Group and 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"><li>✓ Emails and Publications</li><li>✓ Employee Activities</li><li>✓ Trainings and Meetings</li><li>✓ Performance Appraisal</li></ul>
Clients	<ul style="list-style-type: none"><li>✓ Corporate Websites</li><li>✓ Client Surveys</li><li>✓ Client Service Hotline</li><li>✓ Client Meetings</li></ul>
Investors and Stockholders	<ul style="list-style-type: none"><li>✓ Annual General Meeting</li><li>✓ Announcements</li><li>✓ Annual and Interim Report</li><li>✓ Emails</li></ul>
Suppliers and Business Partners	<ul style="list-style-type: none"><li>✓ Business Meetings</li><li>✓ Supplier Assessment</li><li>✓ Field Visitation</li></ul>
Government and Supervising Authorities	<ul style="list-style-type: none"><li>✓ Public Consultation</li><li>✓ Industry Forum</li></ul>
Social Groups and the General Public	<ul style="list-style-type: none"><li>✓ Charitable Activities</li><li>✓ Donation</li></ul>
Media	<ul style="list-style-type: none"><li>✓ Official Websites</li></ul>

# 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:



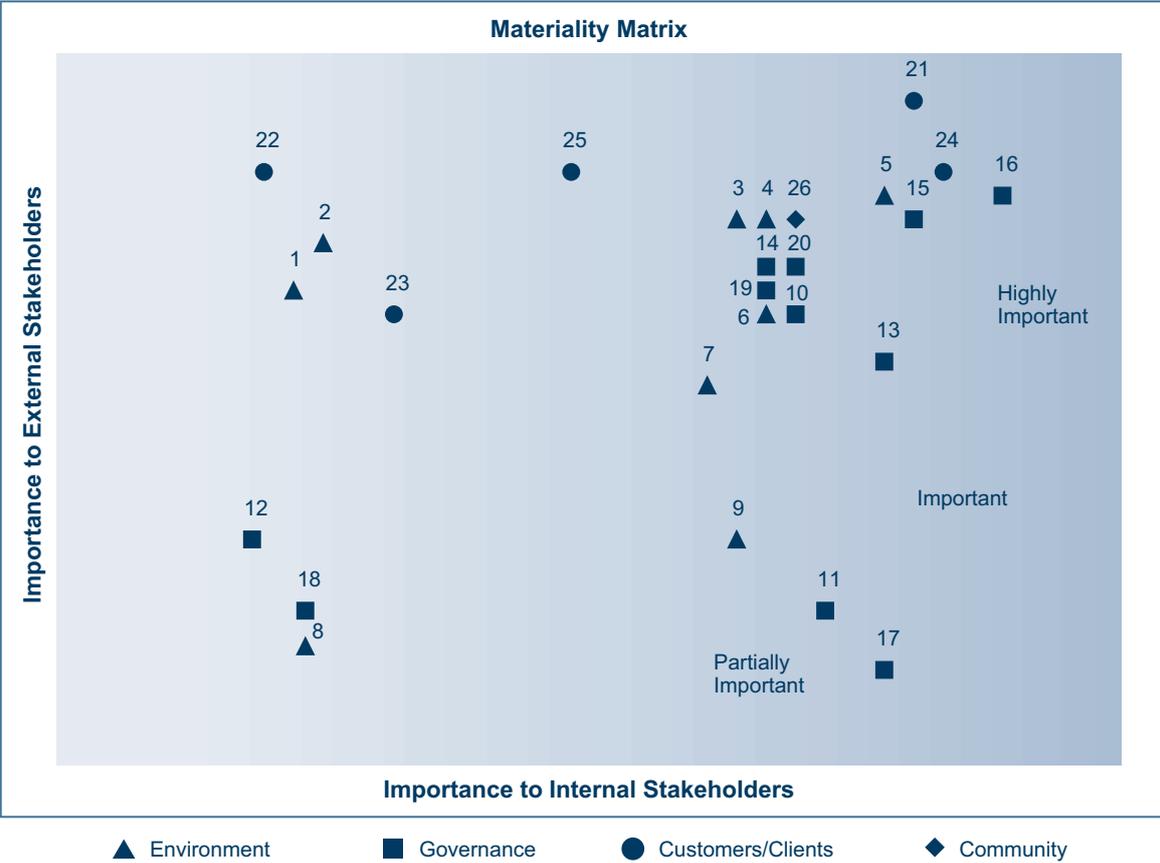
# Environmental, Social and Governance Report

## 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"><li>1. Air Emission</li><li>2. Greenhouse Gas Emission</li><li>3. Non-hazardous Wastes</li><li>4. Waste Disposal Management</li><li>5. Energy Usage</li><li>6. Water Usage</li><li>7. Packaging Material Usage</li><li>8. Green Renovation</li></ol>
Governance ■	<ol style="list-style-type: none"><li>9. Climate Resilience</li><li>10. Recruitment and Promotion</li><li>11. Compensation and Dismissal</li><li>12. Working Hours and Rest Periods</li><li>13. Equal Opportunity and Diversity</li><li>14. Anti-discrimination</li><li>15. Benefits and Welfare</li><li>16. Workplace Health and Safety</li><li>17. Training and Development</li><li>18. Anti-child and Forced Labor</li><li>19. Supply Chain Management</li></ol>
Customers/Clients ●	<ol style="list-style-type: none"><li>20. Green Procurement</li><li>21. Service Quality</li><li>22. Product Safety</li><li>23. Advertising and Labelling</li><li>24. Data Privacy and Protection</li></ol>
Community ◆	<ol style="list-style-type: none"><li>25. Anti-corruption and Money Laundering</li><li>26. Community Investment</li></ol>

# Environmental, Social and Governance Report



The materiality assessment result in 2020 has revealed an increased concern to the environmental related topics by our internal and external stakeholders. At the same time, the 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.

## VALUE OUR PEOPLE

### 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 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 OHSAS 18001:2007 and the laws and regulations governing workplace safety are in place. For instance, when heavy machines or high voltage electricity is involved, we engage licensed subcontractors to inspect the equipment and perform risk assessments prior to operations. Only certified employees are allowed to perform works under such high-risk conditions. In addition, internal safety training is provided and promotional posters are available on corridors and lobbies to attract attention on safety issues among our staff.

# Environmental, Social and Governance Report

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

Apart from the protective gears provided to prevent the accident, we have set up the Employee Safety Handbook where the safety framework and guidelines for all tasks involved in the daily business operation were established with the aims to maintain health and safety practices.

After nearly one year of coronavirus disease (COVID-19) pandemic, the Group adopted a series of epidemic prevention measures to ensure that colleagues can work at ease, which included but not limited to the following:

1. Starting from the Mid-March of 2020 until the end of 2020, we have separated our employees into two groups and the groups took turn to work from home in order to avoid gathering to reduce the risk of infection.
2. Starting from the early stage of the pandemic, we have distributed protective gears to our employees such as masks and sanitizers.
3. Appointed professional team to arrange photocatalyst coating spraying for the purpose of disinfection in the office building to ensure a clean and hygienic working environment.
4. As the COVID-19 pandemic stabilised, the senior management decided to resume the normal working schedule. To maintain adequate social distancing, the employees were arranged to work on different floors in the office building.
5. Considering the shortage of food supply in the early stage of the epidemic, the company successively distributed white rice, edible oil and canned food to employees.

We adhere to the Factories and Industrial Undertakings Ordinance, the Occupational Health and Safety Ordinance and other safety-related laws and regulations. As a reasonable employer, we take an active role in protecting our employees. We provide and maintain working environment and workplace that are of minimal health and safety risks. Furthermore, we ensure sufficient training and supervision are in place to reduce the possibility of workplace injury. During the Reporting Period, there were 3 working days lost due to work-related injuries.

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

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

# Environmental, Social and Governance Report

## LABOR PRACTICES

### Employee Compensation and Benefits

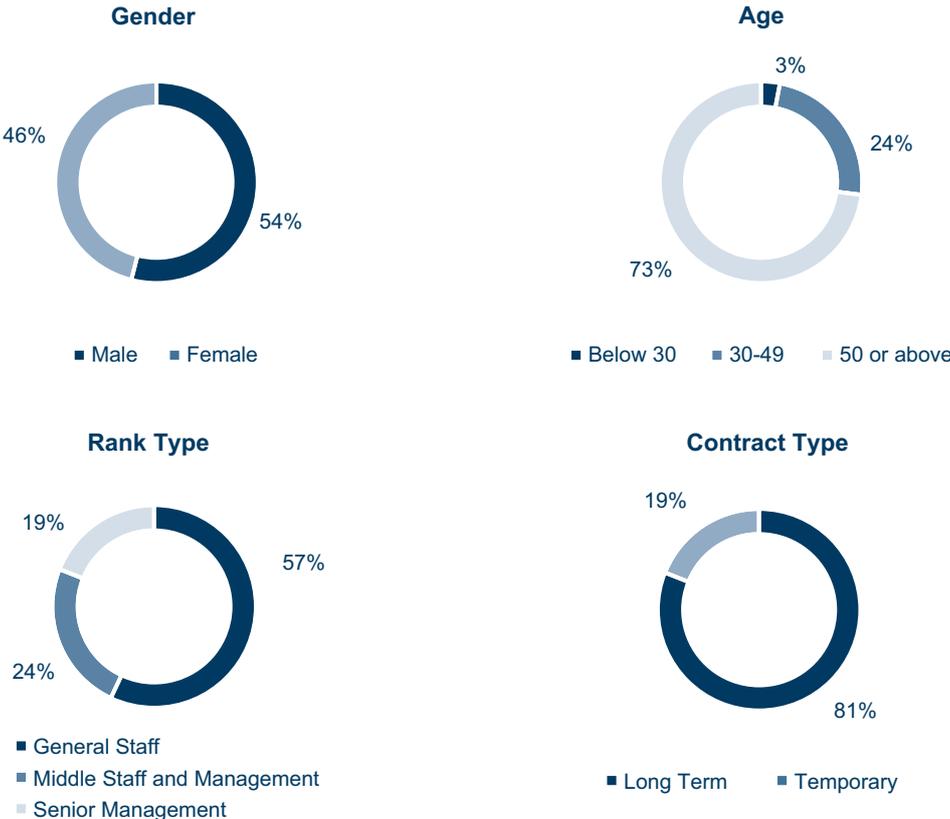
The Group provides a competitive compensation package for our employees to attract and retain them as they are the major driver to the business success. Apart from the competitive remuneration we offered, numerous benefits are also provided such as the mandatory provident fund (“MPF”), medical insurance, long term service awards and special allowance for marriage.

Employee remuneration is reviewed on an annual basis. The adjustment is made based on myriads of factors including the macroeconomic conditions, company performance as well as the staff’s overall performance such as the qualifications, work performance, feedback from the supervisor and management, etc.

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

As at 31 March 2021, we had a total of 37 employees, detailed breakdowns as below:<sup>1</sup>

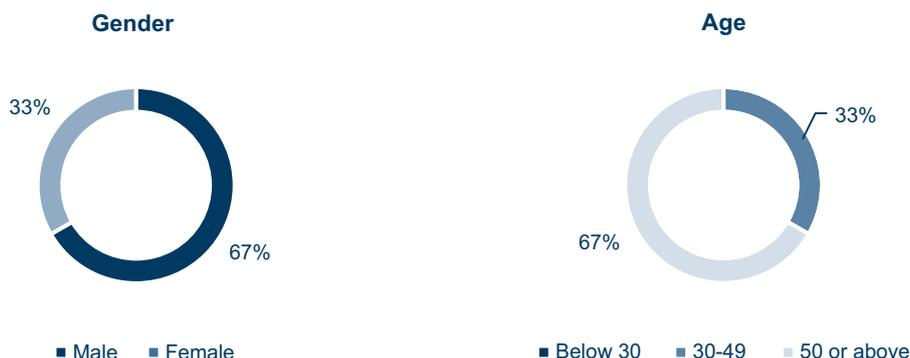
#### Total workforce



<sup>1</sup> We enhanced the data collection method to introduce new reporting items in 2021. Therefore, the performance statistics in 2020 and 2019 are not available.

# Environmental, Social and Governance Report

During the Reporting Period, total employee turnover was 3, detailed breakdowns as below:<sup>2</sup>



## Recruitment, Promotion and Dismissal

The Group strives to attract the best talent in the market who shares the same value with us and at the same time put our best effort to retain the current staff as we believe staff is the foundation of our business and all the effort contributed by them shall be recognized and rewarded. The head of 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. For the purpose of recruitment process, the human resources department has established fair, unbiased and objective selection criteria and the candidates are assessed objectively on their experience and capabilities to avoid any forms of bias towards gender, race, age, religion, pregnancy, disability, family status or sexual orientation.

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

Employees have the right to terminate the employment relationship and we follow standard termination procedures, which comply with applicable laws and regulations, to protect the interest of our staff and avoid any potential legal issues.

## Equal Opportunity, Diversity and Anti-discrimination

All of our employees are treated fairly and equally for hiring, promotion and job transfer, while trainings must be given on an open and equal basis. The assessments for recruitment and promotion are developed solely to evaluate the attributes, skills and experiences of the candidates or employees. We also strive to build a diverse team to embrace new business ideas and opportunities 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.

<sup>2</sup> We enhanced the data collection method to introduce new reporting items in 2021. Therefore, the performance statistics in 2020 and 2019 are not available.

# Environmental, Social and Governance Report

## Training and Development

Developing our employees is critical to both personal achievement and business success. The Group therefore provides full 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. However, due to the COVID-19 pandemic, we have postponed all of the face-to-face internal training to minimize the interaction and maintain the social distancing. The internal training will be resumed after the stabilization of the pandemic situation. Meanwhile, we are encouraging our employees to attend external trainings. The detailed training figures were as below:<sup>3</sup>

Employee Training	Number of employee	Total training hour
Gender		
Male	3	10.5
Female	2	183
Rank Type		
General Staff	3	10.5
Middle Staff and Management	1	168
Senior Management	1	15

Apart from the internal trainings, we encourage our employees to apply for further study and technical courses to further improve their skillset in order to continue provide the quality services to our customers. Full education sponsorship and examination leave have been provided to our employees.

## No child and Forced Labor

As a responsible employer, we have taken a clear stance that no child and forced labor is allowed 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 adopted in the recruitment process to ensure candidates are eligible to work under the local labor laws.

We have extended our commitment to child and forced labor to our supply chain partners. All of our business partners shall align 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 to confirm reasonable measures have been adopted to address and minimize the risk of involuntary 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 child and forced labor-related laws and regulations.

<sup>3</sup> We enhanced the data collection method to introduce new reporting items in 2021. Therefore, the performance statistics in 2020 and 2019 are not available.

# Environmental, Social and Governance Report

## VALUE OUR SOCIETY

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

In addition, the COVID-19 pandemic has brought unprecedented challenges to the local economy, which led to the surge of unemployment with rising demand for food assistance. To help with easing this issue, we collaborated with Baptist Oi Kwan Social Service to launch the “Hotmeal” program. The program was designed to provide free hot meal boxes to people in need for example the street sleepers and the underprivileged group. We had also organized charity sales in Lu Plaza to encourage our customers and tenants to participate in this program. Our effort has been recognized by the Hong Kong Council of Social Service which awarded the Group with the 15 Years Plus Caring Company logo.

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

<b>Name of Organization/Event</b>	<b>Purpose and Target beneficiary</b>
The Community Chest – Green Day	Raised funds for the medical and health services program
The Community Chest – Skip Lunch Day 2021	Supported the services for street sleepers, residents in cage homes and cubicles
Po Leung Kuk – House Sponsorship for Children	Provided accommodation for children in need
The Community Chest – Love Teeth Day 2020/2021	Raised funds to support the oral health service for the needy
Evangel Children’s Home	Made donation of HK\$100,000 in 2020 to support the “Shine. Empower. Network. 2.0” project, which aims to provide holistic learning and development opportunities for children with special education needs
44th Orchestral Season-Majestic Drums	Sponsored and supported the performance to promote the Chinese music culture
Baptist Oi Kwan Social Service	Made donation and supported the “Hotmeal” program. Over 4,500 beneficiaries, including the street sleepers and the underprivileged group received the hot meal boxes

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.

# Environmental, Social and Governance Report

## VALUE OUR SERVICES

### Service Quality and Safety

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

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 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' stocks 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 stock movement are in place for the warehouse security

For our property investment business, we continue to employ a high quality property management service provider. 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 as soon as practicable 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 annual review is conducted to ensure all of the cases are handled in accordance to the service standards. During the Reporting Period, neither our godown business nor property investment business received service complaint. 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 service providers are required to ensure that the services are of satisfactory quality. Both the godown and property investment businesses abide by the statutory requirements on the operations 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.

# Environmental, Social and Governance Report

## Data Privacy and Protection

The protection of our customers'/tenants' data is also our major concern. We strictly comply with Personal Data (Privacy) Ordinance (Cap. 486) and maintain clear guidelines on the collection, 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.

To further protect our data from cyber-attack, we have installed standard anti-virus software in our computers. 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 shall not be tolerated. Our staff is required to uphold the highest degree of integrity and ethics at all time. Any non-compliance with our internal policies will be subject to warning and disciplinary actions.

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

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

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 other matters which may violate 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 confidence.

# Environmental, Social and Governance Report

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 illegal actions.

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

## 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 service provider which are consistent with our principles to cooperate with. The property management company we partnered with possesses the following accreditations related to environmental and social risk management.

- ISO 14001:2015 for environmental management system
- OHSAS 18001:2007 for occupational health and safety management best practices.

Regular meetings with the property management company representatives 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 in the leasing department is appointed to conduct regular inspection of our premises to ensure no misconduct or mismanagement by the property management company.

Apart from property management, we have set out the list of selection criteria for our contractors. Each contractor is required to provide a comprehensive environmental management plan to demonstrate the measures to minimize the environmental impact during 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 a partnership with the Group which can also 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 2021, we had a total of 263 suppliers which all of them were local suppliers.

### *Green Procurement*

Green procurement is promoted in the Group's business operation as we recognize the selection of the sustainable products can reduce environmental impacts and safeguard human and labor rights. Before the purchase decisions are made, we would strike a balance between the environment, 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 always preferable. The items used for building daily operations strictly follow the green procurement guideline set by the property management agency, Jones Lang LaSalle Limited.

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 business is built on trust and reputation. Therefore, our marketing and sales function 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 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 are concerned with our business operation's 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 set of policies ranging from electricity consumption to waste disposal to demonstrate the best practices to reduce the carbon footprint.

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

In addition, we have worked together with our property management manager to produce an environmental management plan to identify potential improvement areas for resources use, set improvement targets for energy and water consumption, as well as monitor the outcomes and effectiveness of the implemented 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.

Throughout the year, our Lu Plaza has demonstrated its green efforts in energy saving and been recognized by the Environmental Campaign Committee as one of the Hong Kong Green Organizations and was awarded with Energywise Certificate in Basic Level.

### *Packaging Materials*

Plastic wraps are used in our godown business 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 objectives and goals of eco-friendliness to our employees and customers and look for more sustainable alternatives in possible ways.

# Environmental, Social and Governance Report

## *Other Impacts on Environment and Natural Resources*

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

## **Emission Management**

Given our Group's principal businesses of property investment and godown operations, non-hazardous waste management and emissions control have become the core parts of our sustainable development strategy. We strictly comply with the Air Pollution Control Ordinance, the Public Health and Municipal Services Ordinance and other emission-related laws and regulations. The ordinances prohibit the use of high sulphur and leaded fuels and disposal of wastes in public places. We have implemented various measures as mentioned in Resource Management above to reduce the use of fuels and we properly handle our non-hazardous wastes. 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<sub>x</sub>), sulphur oxides (SO<sub>x</sub>) 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 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 have engaged Hong Kong Productivity Council to conduct carbon audit on Lu Plaza in 2019, we have set up an energy saving plan based on the audit result which helped us further reduce the electricity consumption of 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.

# Environmental, Social and Governance Report

## *Waste Management*

Due to our business nature, no significant hazardous wastes were produced from our operating activities during the Reporting Period and hence the disclosure on the amount of hazardous wastes was inapplicable. Most of our non-hazardous wastes is generated by our day-to-day business operations such as 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 records in order to analyze and evaluate the effectiveness of implemented waste reduction measures.
- Promotion of the 3Rs (Reduce, Reuse, and Recycle) waste management principles which have been incorporated 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 usage.
- 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.

During the Reporting Period, we took part in the computer & communication products recycling program held by Environmental Protection Department to support the collection of old computers and electrical components from the tenants and neighbourhood of Lu Plaza. Due to the mutual efforts dedicated by our property management team and the property management agency, Lu Plaza awarded with the Wastewi\$e Basic Level Certificate issued by the Hong Kong Green Organization.

## **Climate Change**

Our group recognizes climate change as a crucial issue that requires our serious attention as its impacts are bringing irreversible damages to all of the businesses in the world, including our godown and property investment businesses. Even though we are not the major polluter, we take the initiative to design the climate change policy in order to demonstrate our commitment to our stakeholders in protecting the environment and contributing ourselves to tackle climate change.

Our ESG working group has identified the climate change risks related to our business nature and they are now working on the approaches to manage and address the identified risks. Strategies will be established in line with the global standards and the industry's practices to steer the business development plan with a less carbon-intensive approach.

We notice that there is an increasing trend around the world including Hong Kong to have extreme weather conditions. 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

## PERFORMANCE STATISTICS

Reporting Item	Unit	2021			2020			2019		
		Total	Per Staff	Per GFA	Total	Per Staff	Per GFA	Total	Per Staff	Per GFA
<b>Energy Consumption<sup>4</sup></b>										
Unleaded Petrol	L	3,093	83.59	0.01	3,343	95.51	0.01	3,962	107.08	0.01
Electricity	kWh	169,717	4,586.95	0.55	180,716	5,163.31	0.59	173,030	4,676.49	0.54
LPG (石油氣)	kg	496	13.41	0.0016	1,440	41.14	0.0047	1,520	41.08	0.0047
<b>Water Consumption<sup>5,6</sup></b>										
Water	m <sup>3</sup>	756	20.43	0.0025	1,500.99	42.89	0.0049	1,099.00	29.70	0.0034
<b>Packaging Material<sup>7</sup></b>										
Plastic Wrap	kg	90			81			–		
<b>Air Emission<sup>8</sup></b>										
Nitrogen oxides (NOx)	kg	1.56			1.49			2.05		
Sulphur Oxides (SOx)	kg	0.05			0.05			0.06		
Particulate Matter (PM)	kg	0.11			0.09			0.13		
<b>Greenhouse Gas (GHG) Emission<sup>9</sup></b>										
Scope 1	tonnes	9.87	0.27	0.000032	13.40	0.38	0.000043	15.31	0.41	0.000047
Scope 2	tonnes	62.80	1.70	0.000204	90.36	2.58	0.000293	88.25	2.39	0.000273
Scope 3	tonnes	1.47	0.04	0.000005	6.16	0.18	0.000020	5.47	0.15	0.000017
Total GHG Emissions	tonnes	74.14	2.00	0.000241	109.91	3.14	0.000356	109.03	2.95	0.000337
<b>Hazardous/Non-hazardous Waste Disposed<sup>10</sup></b>										
General Waste <sup>11</sup>	tonnes	19.97			14.07			22.44		
<b>Recycled Waste<sup>12</sup></b>										
Recycled Paper	tonnes	0.21			0.01			–		
Recycled Wooden Pallets	tonnes	0			8.47			–		

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

5 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.

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

7 We enhanced the data collection method to introduce new reporting items in 2020. Therefore, the performance statistics in 2019 is not available.

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

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

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

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

12 We enhanced the data collection method to introduce new reporting items in 2020. Therefore, the performance statistics in 2019 is not available.

# Environmental, Social and Governance Report

## CONTENT INDEX FOR HKEX ESG REPORTING GUIDE

General Disclosures and KPIs	Reference (Page Number)	Remarks
<b>Environmental</b>		
<b>Aspect A1: Emissions</b>		
General Disclosure	Value Our Environment (P.43-45)	
KPI A1.1	Performance Statistics (P.46)	
KPI A1.2	Performance Statistics (P.46)	
KPI A1.3	Performance Statistics (P.46)	
KPI A1.4	Performance Statistics (P.46)	
KPI A1.5	Emission Management (P.44)	
KPI A1.6	Waste Management (P.45)	
<b>Aspect A2: Use of Resources</b>		
General Disclosure	Value Our Environment (P.43-45)	
KPI A2.1	Performance Statistics (P.46)	
KPI A2.2	Performance Statistics (P.46)	
KPI A2.3	Electricity and Water Consumption (P.43)	
KPI A2.4	Electricity and Water Consumption (P.43)	
KPI A2.5	Performance Statistics (P.46)	
<b>Aspect A3: The Environment and Natural Resources</b>		
General Disclosure	Other Impacts on Environment and Natural Resources (P.44)	
KPI A3.1	Other Impacts on Environment and Natural Resources (P.44)	
<b>Aspect A4: Climate Change</b>		
General Disclosure	Climate Change (P.45)	
KPI A4.1	Climate Change (P.45)	
<b>Social</b>		
<b>Aspect B1: Employment</b>		
General Disclosure	Labor Practices (P.36-38)	
KPI B1.1	Employee Compensation and Benefits (P.36-37)	
KPI B1.2	Employee Compensation and Benefits (P.36-37)	
<b>Aspect B2: Health and Safety</b>		
General Disclosure	Value Our People (P.34-35)	
KPI B2.1	N/A	No such case concluded or noted during Reporting Period
KPI B2.2	Workplace Health and Safety (P.34-35)	
KPI B2.3	Workplace Health and Safety (P.34-35)	

# Environmental, Social and Governance Report

General Disclosures and KPIs	Reference (Page Number)	Remarks
<b>Social</b>		
<b>Aspect B3: Development and Training</b>		
General Disclosure	Training and Development (P.38)	
KPI B3.1	Training and Development (P.38)	
KPI B3.2	Training and Development (P.38)	
<b>Aspect B4: Labor Standards</b>		
General Disclosure	No Child and Forced Labor (P.38)	
KPI B4.1	No Child and Forced Labor (P.38)	
KPI B4.2	No Child and Forced Labor (P.38)	
<b>Aspect B5: Supply Chain Management</b>		
General Disclosure	Supply Chain Management (P.42)	
KPI B5.1	Supply Chain Management (P.42)	
KPI B5.2	Supply Chain Management (P.42)	
KPI B5.3	Supply Chain Management (P.42)	
KPI B5.4	Supply Chain Management (P.42)	
<b>Aspect B6: Product Responsibility</b>		
General Disclosure	Service Quality and Safety (P.40)	
KPI B6.1	N/A	The KPI is not applicable to our current scope of business.
KPI B6.2	Service Quality and Safety (P.40)	
KPI B6.3	Data Privacy and Protection (P. 41)	
KPI B6.4	N/A	The KPI is not applicable to our current scope of business.
KPI B6.5	Data Privacy and Protection (P. 41)	
<b>Aspect B7: Anti-corruption</b>		
General Disclosure	Anti-corruption and Money Laundering (P.41)	
KPI B7.1	Anti-corruption and Money Laundering (P.41)	
KPI B7.2	Anti-corruption and Money Laundering (P.41)	
KPI B7.3	Anti-corruption and Money Laundering (P.41)	
<b>Aspect B8: Community Investment</b>		
General Disclosure	Value Our Society (P.39)	
KPI B8.1	Value Our Society (P.39)	
KPI B8.2	Value Our Society (P.39)	

# 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 2021.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 59.

An interim dividend of HK9 cents per share, amounting to HK\$36,450,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK5 cents per share amounting to HK\$20,250,000 and a special dividend of HK43 cents per share amounting to HK\$174,150,000 to the shareholders whose names appear on the register of members on 26 August 2021.

## DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 March 2021, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$1,026,797,000 (2020: HK\$1,079,642,000).

## 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 (*appointed on 16 November 2020*)

Mr. Gan Khai Choon (*resigned on 17 August 2020*)

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lee Ka Sze, Carmelo and Mr. Leung Man Chiu, Lawrence shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Article 83 of the Company's Articles of Association, Ms. Oen Li Lin shall hold office until the forthcoming annual general meeting and shall then be eligible for re-election.

Details of the directors to be re-elected at the 2021 annual general meeting are set out in a circular to the shareholders sent together with this Annual Report.

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

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

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

## DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2021, 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 <sup>3</sup>
	Personal interests	Family interests	Corporate interests	Other interests		
Mr. Lu Wing Yee, Wayne	28,231,260	–	70,320 <sup>1</sup>	13,200,000 <sup>2</sup>	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 2021.

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 2021.

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

## SUBSTANTIAL SHAREHOLDERS

As at 31 March 2021, 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 <sup>3</sup>
		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 <sup>1</sup>	7.67%
Gladiator Investments Co.	Interest of controlled corporation	–	31,050,000 <sup>1</sup>	7.67%
Ms. Chan Koon Fung	Beneficial owner/Interest of controlled corporation/Trustee	8,968,500	209,859,318 <sup>2</sup>	54.03%

### Notes:

1. The shares were held by Eargold Limited. Each of Chelton Trading Limited and Gladiator Investments Co. owned as to 50% of Eargold Limited and, therefore, they were taken to be interested in 31,050,000 shares held by Eargold Limited.
2. Among these 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).
3. Based on 405,000,000 shares in issue as at 31 March 2021.

# Directors' Report

## **SUBSTANTIAL SHAREHOLDERS (Continued)**

Other than as disclosed above, as at 31 March 2021, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued shares of the Company.

## **EQUITY-LINKED AGREEMENTS**

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

## **RELATED PARTY TRANSACTIONS**

Details of the related party transactions are set out in note 26 to the consolidated financial statements. Those related party transactions did not constitute connected transactions 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:

### ***Executive director – Mr. Lu Wing Yee, Wayne***

Mr. Lu is entitled to an additional director's fee of HK\$100,000 per annum for acting as the chairman and member of the investment committee plus HK\$4,500 for attendance per meeting.

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

Mr. Lee ceased to be an independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (Stock Code: 2601) on 12 May 2020.

Mr. Lee ceased to be an independent non-executive director of Esprit Holdings Limited (Stock Code: 330) and a non-executive director of CSPC Pharmaceutical Group Limited (Stock Code: 1093) on 1 January 2021.

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

Mr. Leung resigned as a non-executive director of World Super Holdings Limited (Stock Code: 8612) on 21 July 2020.

### ***Independent non-executive director – Ms. Oen Li Lin***

Ms. Oen is entitled to an additional director's fee of HK\$100,000 per annum for acting as a member of the investment committee plus HK\$4,500 for attendance per meeting.

# Directors' Report

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 11% (2020: 9%) of its turnover.

The aggregate revenue attributable to the Group's five largest customers accounted for 37% (2020: 29%) of the Group's total turnover.

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

At no time during the year did the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's 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.

## 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 2021.

## DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$165,000.

## CORPORATE GOVERNANCE

The Board of the Company is committed to achieving and maintaining high standards of corporate governance. The Company has complied throughout the year ended 31 March 2021 with 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 14 to 27 of the Annual Report.

# Directors' Report

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## **BUSINESS REVIEW AND PERFORMANCE**

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

An overview on the financial performance of the Group's business and business segment, financial resources, compliance with regulations, relationships with its key stakeholders and the principal risk and uncertainties are set out in pages 9 to 13 of the Management Discussion and Analysis while social responsibilities and environmental protection policies were set out in pages 14 to 48 of the Corporate Governance Report and the Environmental, Social and Governance Report.

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

Discussion on the above-mentioned issues provided from the Executive Director's Statement, Management Discussion and Analysis, Corporate Governance Report and Environmental, Social and Governance Report 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, 24 June 2021

# Independent Auditor's Report

**Deloitte.**

德勤

**TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED**

*(incorporated in Hong Kong with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 59 to 113, which comprise the consolidated statement of financial position as at 31 March 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## **BASIS FOR OPINION**

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

# 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 2021, the Group's investment properties amounted to HK\$3,101,400,000, representing approximately 69% of the Group's total assets. During the year, a decrease in fair value of investment properties of HK\$232,333,000 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

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- 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  
24 June 2021

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
Revenue	5	<u>109,784</u>	<u>137,612</u>
Income from godown operations		14,168	19,958
Income from property investment		91,396	96,651
Interest income		2,486	16,672
Dividend income		1,734	4,331
Other gains and losses		46,788	(46,271)
Other income	7	1,701	–
Exchange gain (loss), net		113	(19)
Gain on disposal of property, plant and equipment		–	8
Decrease in fair value of investment properties	14	(232,333)	(307,600)
Staff costs		(15,434)	(16,087)
Depreciation of property, plant and equipment		(22,538)	(19,320)
Impairment loss on trade receivable under expected credit loss (“ECL”) model		(693)	(906)
Impairment loss on other receivables under ECL model		–	(1,592)
Other expenses		<u>(23,373)</u>	<u>(25,102)</u>
Loss before taxation	10	(135,985)	(279,277)
Taxation	11	<u>(11,596)</u>	<u>(13,250)</u>
Loss for the year attributable to owners of the Company		<u>(147,581)</u>	<u>(292,527)</u>
Other comprehensive income for the year			
<i>Item that will not be reclassified to profit or loss:</i>			
Revaluation surplus on transfer of owner-occupied properties to investment properties		–	70,673
Total comprehensive expense for the year attributable to owners of the Company		<u>(147,581)</u>	<u>(221,854)</u>
			(Restated)
Loss per share-Basic	13	<u>(HK\$0.36)</u>	<u>(HK\$0.72)</u>

# Consolidated Statement of Financial Position

At 31 March 2021

	NOTES	2021 HK\$'000	2020 HK\$'000
<b>Non-current assets</b>			
Investment properties	14	3,101,400	3,351,900
Property, plant and equipment	15	252,955	233,559
		<u>3,354,355</u>	<u>3,585,459</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss ("FVTPL")	17	470,161	223,208
Debt instrument at amortised cost	16	–	23,248
Trade and other receivables	18	21,421	27,689
Tax recoverable		756	567
Bank deposits	19	331,049	610,190
Other deposits	19	41,166	26,016
Bank balances and cash	19	247,974	161,871
		<u>1,112,527</u>	<u>1,072,789</u>
<b>Current liabilities</b>			
Other payables	20	35,556	30,641
Tax payable		17,285	18,333
		<u>52,841</u>	<u>48,974</u>
<b>Net current assets</b>		<u>1,059,686</u>	<u>1,023,815</u>
		<u>4,414,041</u>	<u>4,609,274</u>
<b>Capital and reserves</b>			
Share capital	21	178,216	178,216
Reserves		4,145,058	4,341,239
<b>Equity attributable to owners of the Company</b>		<u>4,323,274</u>	<u>4,519,455</u>
<b>Non-current liabilities</b>			
Long-term tenants' deposits received		15,444	18,401
Deferred tax liabilities	22	74,709	70,586
Provision for long service payments	23	614	832
		<u>90,767</u>	<u>89,819</u>
		<u>4,414,041</u>	<u>4,609,274</u>

The consolidated financial statements on pages 59 to 113 were approved and authorised for issue by the Board of Directors on 24 June 2021 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 2021

	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 2019	178,216	404,034	4,304,859	4,887,109
Loss for the year	–	–	(292,527)	(292,527)
Revaluation surplus on transfer of owner-occupied properties to investment properties	–	70,673	–	70,673
Total comprehensive income (expense) for the year	–	70,673	(292,527)	(221,854)
Dividends paid ( <i>note 12</i> )	–	–	(145,800)	(145,800)
At 31 March 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	<u>178,216</u>	<u>474,707</u>	<u>3,670,351</u>	<u>4,323,274</u>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Operating activities</b>		
Loss before taxation	(135,985)	(279,277)
Adjustments for:		
Unrealised (gain) loss on financial assets at FVTPL	(32,287)	21,995
Gain on disposal of property, plant and equipment	–	(8)
Decrease in fair value of investment properties	232,333	307,600
(Reduction of) addition of provision for long service payments	(218)	372
Exchange differences	–	(4)
Depreciation of property, plant and equipment	22,538	19,320
Impairment loss on trade receivables under ECL model	693	906
Impairment loss on other receivables under ECL model	–	1,592
	<hr/>	<hr/>
Operating cash flows before movements in working capital	87,074	72,496
Decrease (increase) in trade and other receivables	386	(7,412)
(Increase) decrease in financial assets at FVTPL	(209,477)	47,541
Increase in other payables and long-term tenants' deposits received	1,850	802
Long service payment utilised	–	(118)
	<hr/>	<hr/>
Cash (used in) from operations	(120,167)	113,309
Income tax paid	(8,710)	(11,418)
	<hr/>	<hr/>
<b>Net cash (used in) from operating activities</b>	<b>(128,877)</b>	<b>101,891</b>
	<hr/>	<hr/>
<b>Investing activities</b>		
Withdrawal of bank deposits	533,493	1,495,911
Additions of bank deposits	(254,352)	(1,348,517)
Withdrawal of other deposits	247,399	967,976
Additions of other deposits	(262,549)	(909,842)
Additions of investment properties	(4,133)	–
Purchase of property, plant and equipment	(19,634)	(17,626)
Proceeds from disposal of property, plant and equipment	–	8
Redemption of debt instrument at amortised cost	23,248	–
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>263,472</b>	<b>187,910</b>
	<hr/>	<hr/>
<b>Cash used in a financing activity</b>		
Dividends paid	(48,492)	(145,471)
	<hr/>	<hr/>
<b>Net increase in cash and cash equivalents</b>	<b>86,103</b>	<b>144,330</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>161,871</b>	<b>17,541</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year</b>	<b>247,974</b>	<b>161,871</b>
	<hr/>	<hr/>
<b>Analysis of cash and cash equivalents</b>		
Bank balances and cash	247,974	161,871
	<hr/>	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 a director in certain subsidiaries of the Company. The address of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

The Company and its subsidiaries (collectively referred to as the “Group”) are engaged in investment holding, treasury investment, properties investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 31.

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

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

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the “Amendments to References to the Conceptual Framework in HKFRS Standards” and 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 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the “Amendments to References to the Conceptual Framework in HKFRS Standards” and the amendments to HKFRSs in the current year 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.

### *Impacts on application of Amendments to HKAS 1 and HKAS 8 “Definition of Material”*

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 <sup>5</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>4</sup>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>6</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>5</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>5</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>5</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>5</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>4</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>4</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>4</sup>

1 Effective for annual periods beginning on or after 1 June 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after 1 April 2021

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

5 Effective for annual periods beginning on or after 1 January 2023

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

Except for the amendments to HKFRSs mentioned below, the directors 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.

### ***Amendment to HKFRS 16 “Covid-19-Related Rent Concessions”***

The amendment is effective for annual reporting periods beginning on or after 1 June 2020.

The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 (Continued)**

***Amendment to HKFRS 16 “Covid-19-Related Rent Concessions” (Continued)***

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 “Leases” if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application is not expected to have impact on the Group’s financial position and performance as the Group does not intend to apply the practical expedient.

## 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 certain investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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, 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”.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.1 Basis of preparation of consolidated financial statements (Continued)

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 equals the transaction price.

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

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

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *Revenue from contracts with customers*

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *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 costs for subsequent accounting are determined by reference to its fair value at the date of change in use.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *Property, plant and equipment (Continued)*

##### *Ownership interests in leasehold land and building*

When the Group makes payments for ownership interests of properties which includes 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 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 under HKFRS 16) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the property revaluation reserve will be transferred directly to retained profits.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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*

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

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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *Financial instruments*

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "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.

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.

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

- the financial asset is held within a business model whose objective is achieved by selling and collecting 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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)

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 FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

#### (i) Amortised cost and interest income

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

#### (ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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

The Group performs impairment assessment under expected credit loss (“ECL”) model on financial assets (including debt instrument at amortised cost, 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.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets is assessed individually for debtors with significant outstanding balances or credit-impaired or collectively using a provision matrix with appropriate groupings if not credit-impaired.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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)

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.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (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 debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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)

##### (ii) Definition of default

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

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

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. 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 2021

## 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. The Group uses a practical expedient in estimating ECL on trade 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.

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 2021

## 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 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 2021

## 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 profit/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.

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

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *Taxation (Continued)*

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 lessee (Continued)*

##### Right-of-use assets (Continued)

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”.

##### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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 (Continued)*

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

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.

#### *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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### 3.2 Significant accounting policies (Continued)

#### *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.

## 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### Critical judgment in applying accounting policies (Continued)

#### *Deferred taxation on investment properties*

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

#### Key sources of estimation uncertainty

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

##### *a. Fair value of investment properties*

At the end of the reporting period, the Group's investment properties are carried at a total fair value of HK\$3,101,400,000 (2020: HK\$3,351,900,000) which substantially based on the valuations performed by independent qualified professional valuers. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs.

In relying on 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. Note 14 provides information about carrying amounts of the investment properties, the valuation techniques, inputs and key assumptions used in the determination of the fair value of investment properties.

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

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment with a carrying amount of HK\$252,955,000 (2020: HK\$233,559,000). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group's management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down assets that have been abandoned or sold.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

### Key sources of estimation uncertainty (Continued)

#### c. Fair value measurements and valuation processes

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

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain investment properties and financial instruments. Notes 14 and 28c provide detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value of various assets.

#### 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 28b.

## 5. REVENUE

The amount represents the following revenue recognised during the year:

	2021 HK\$'000	2020 HK\$'000
Income from godown operations ( <i>note a</i> )	14,168	19,958
Income from property investment	91,396	96,651
Dividend income	1,734	4,331
Bank interest income	1,184	14,683
Other interest income	1,302	1,989
	<u>109,784</u>	<u>137,612</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 5. REVENUE (Continued)

Notes:

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

	2021 HK\$'000	2020 HK\$'000
<b>Types of goods or services (time of revenue recognition):</b>		
Inward and outward coolie income (recognised at a point in time)	1,305	2,052
Transportation income and other income (recognised at a point in time)	603	594
Storage service income (recognised over time)	12,260	17,312
	<u>14,168</u>	<u>19,958</u>
<b>Geographical market:</b>		
Hong Kong	<u>14,168</u>	<u>19,958</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.

(b) Leases

	2021 HK\$'000	2020 HK\$'000
<b>For operating leases:</b>		
Lease payments that are fixed		
Income from property investment	<u>91,396</u>	<u>96,651</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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 6. SEGMENT INFORMATION (Continued)

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

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 2021

## 6. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2020

	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	19,958	96,651	21,003	137,612
Segment profit (loss)	3,562	(244,091)	(29,042)	(269,571)
Central administrative costs				(9,706)
Loss before taxation				(279,277)
	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	173,385	3,435,052	886,718	4,495,155
Bank balances and cash				161,871
Unallocated other assets				1,222
Consolidated total assets				4,658,248
<i>Liabilities</i>				
Segment liabilities	1,757	39,041	1,175	41,973
Tax payable				18,333
Deferred tax liabilities				70,586
Unallocated other liabilities				7,901
Consolidated total liabilities				138,793
	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	13,032	4,594	–	17,626
Depreciation of property, plant and equipment	15,496	3,824	–	19,320
Fair value loss on financial assets at FVTPL	–	–	46,590	46,590
Impairment loss on trade receivables	–	906	–	906

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

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

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

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

### Information about major customers

Revenue from a customer (in property investment segment) contributing over 10% of the total sales of the Group amounted to HK\$12,261,000 in current year (2020: nil).

### 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, the Group recognised HK\$1,701,000 (2020: nil) 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 2021

## 8. DIRECTORS' EMOLUMENTS

The emoluments paid or payable during the year to each of the six (2020: five) directors and the chief executive were as follows:

Name of directors	Executive director	Non-executive director	Independent non-executive directors				Total
	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	Oen Li Lin HK\$'000 (Note ii)	
<b>2021</b>							
Fees	85	287	108	287	308	148	1,223
Retirement benefits scheme contributions	18	-	-	-	-	-	18
<b>Total emoluments</b>	<b>103</b>	<b>287</b>	<b>108</b>	<b>287</b>	<b>308</b>	<b>148</b>	<b>1,241</b>

Name of directors	Executive director	Non-executive director	Independent non-executive directors			Total	
	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		
<b>2020</b>							
Fees		38	264	297	264	264	1,127
Retirement benefits scheme contributions		18	-	-	-	-	18
<b>Total emoluments</b>		<b>56</b>	<b>264</b>	<b>297</b>	<b>264</b>	<b>264</b>	<b>1,145</b>

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 2021

## 8. DIRECTORS' EMOLUMENTS (Continued)

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

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

The position of the Chief Executive 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 (2020: five) highest paid individuals were as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and other benefits	3,974	3,633
Discretionary bonus	320	452
Retirement benefits scheme contributions	54	51
	<u>4,348</u>	<u>4,136</u>

The emoluments of the individuals were within the following bands:

	2021 <i>Number of employees</i>	2020 <i>Number of employees</i>
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	–
	<u>5</u>	<u>5</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 10. LOSS BEFORE TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation has been arrived at after charging (crediting):		
Auditor's remuneration		
– audit service	1,100	1,020
– non-audit services	586	472
Gross rental income from investment properties	(91,396)	(96,651)
Less: direct operating expenses for investment properties that generated rental income during the year	8,772	9,757
direct operating expenses for investment properties that did not generate rental income during the year	735	1,030
Net rental income	(81,889)	(85,864)
Fair value (gain) loss on financial assets at FVTPL (note)	(46,477)	46,590

*Note:* Amount included in other gains and losses.

## 11. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	7,499	8,674
(Over)underprovision in prior years	(26)	175
	7,473	8,849
Deferred taxation (note 22)		
Current year	4,123	4,401
	11,596	13,250

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation	<u>(135,985)</u>	<u>(279,277)</u>
Tax credit at the domestic income tax rate of 16.5% (2020: 16.5%)	(22,438)	(46,081)
Tax effect of expenses not deductible for tax purpose	46,910	58,638
Tax effect of income not taxable for tax purpose	(9,495)	(6,095)
Tax effect of tax losses not recognised	1,182	6,097
Tax effect of utilisation of tax losses previously not recognised	(4,425)	–
(Over)underprovision in prior years	(26)	175
Others	<u>(112)</u>	<u>516</u>
Taxation for the year	<u>11,596</u>	<u>13,250</u>

## 12. DIVIDENDS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interim dividend paid in respect of 2021 – HK9 cents (2020: HK2.67 cents (restated)) per ordinary share	36,450	10,800
Final dividend paid in respect of 2020 – HK3 cents (2019: HK4 cents (restated)) per ordinary share	12,150	16,200
Special dividend paid in respect of 2020 – nil (2019: HK29.33 cents (restated)) per ordinary share	<u>–</u>	<u>118,800</u>
	<u>48,600</u>	<u>145,800</u>

A final dividend of HK5 cents per share, amounting to HK\$20,250,000 and a special dividend of HK43 cents per share, amounting to HK\$174,150,000 have been proposed by the directors of the Company and are subject to the approval by shareholders in the forthcoming annual general meeting.

The number of shares for the calculation of dividend per share has been adjusted for the effect of the share subdivision as detailed in note 21.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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\$147,581,000 (2020: HK\$292,527,000) and on 405,000,000 (2020: 405,000,000 (restated)) shares in issue throughout both years. The number of shares for the calculation of basic loss per share for 2020 had been adjusted for the effect of the share subdivision as detailed in note 21.

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

## 14. INVESTMENT PROPERTIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>AT FAIR VALUE</b>		
At beginning of the year	3,351,900	3,635,100
Additions	4,133	–
Transfer from property, plant and equipment	–	71,000
Transfer to property, plant and equipment	(22,300)	(46,600)
Decrease in fair value recognised in profit or loss	(232,333)	(307,600)
	<u>3,101,400</u>	<u>3,351,900</u>
At end of the year	<u>3,101,400</u>	<u>3,351,900</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.

In prior year, an owned-property had become investment property because the Group had rented out the properties to an independent third party to earn rentals and/or for capital appreciation. Accordingly, the carrying amount of the relevant owned-property had been transferred from property, plant and equipment to investment properties. The fair value at the date of transfers of HK\$71,000,000 had been arrived at on the basis of valuations carried out by AA Property Services Limited, Chartered Surveyors, an independent qualified professional valuer not connected with the Group. The valuation was arrived at by reference to market evidence of recent transaction prices for similar properties. The surplus of the fair value of that owned-property over the carrying amounts at the date of transfer of HK\$70,673,000 was recognised in property revaluation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 14. INVESTMENT PROPERTIES (Continued)

Certain investment properties had become property, plant and equipment because the Group had commenced to self-occupy those properties. The properties' deemed cost for subsequent accounting period were their fair values at the date of change in use. The fair value at the dates of transfers of HK\$22,300,000 (2020: HK\$46,600,000) had been arrived at on the basis of valuations carried out by AA Property Services Limited. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

The fair values of the Group's investment properties as at 31 March 2021 amounting to HK\$3,101,400,000 (2020: HK\$3,351,900,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and AA Property Services Limited, Chartered Surveyors, independent qualified professional valuers, not connected to the Group. The directors of Messrs. Jones Lang LaSalle Limited and AA Property Services Limited, Chartered Surveyors, who carried out the valuations, are members of the Hong Kong Institute of Surveyors. The fair values of the investment properties were determined based on the income approach and market comparison approach, where appropriate. For income approach, the valuations were arrived on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates. For market comparison approach, the valuations were arrived at by reference to the comparable sale transactions as available in the relevant market. 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\$232,333,000 (2020: HK\$307,600,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

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

The 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 14. INVESTMENT PROPERTIES (Continued)

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
	2021 HK\$'000	2020 HK\$'000					
Industrial/office property in Kwun Tong – Lu Plaza	2,490,000	2,739,000	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% (2020: 3.75%).  Market unit rent, taking into account direct market comparables within 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	512,400	497,000	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% (2020: 4.2%).  Market unit rent, taking into account direct market comparables within 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 significant change in the unobservable inputs would result in a significant higher or lower fair value measurement.
- (b) There is no indication that any slight change in the unobservable input would result in a significant higher or lower fair value measurement.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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>
<b>COST</b>						
At 1 April 2019	101,958	145,281	26,723	1,145	–	275,107
Additions	–	–	5,030	–	12,596	17,626
Transfer from investment properties	36,200	10,400	–	–	–	46,600
Transfer to investment properties	(616)	(1,016)	–	–	–	(1,632)
Disposal/written off	–	–	(15)	–	–	(15)
At 31 March 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
<b>DEPRECIATION</b>						
At 1 April 2019	12,514	54,942	17,750	921	–	86,127
Provided for the year	4,443	10,275	4,490	112	–	19,320
Transfer to investment properties	(289)	(1,016)	–	–	–	(1,305)
Eliminated on disposal/written off	–	–	(15)	–	–	(15)
At 31 March 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
<b>CARRYING AMOUNTS</b>						
At 31 March 2021	<u>130,014</u>	<u>87,518</u>	<u>28,706</u>	<u>–</u>	<u>6,717</u>	<u>252,955</u>
At 31 March 2020	<u>120,874</u>	<u>90,464</u>	<u>9,513</u>	<u>112</u>	<u>12,596</u>	<u>233,559</u>

In prior year, the Group's leasehold lands and owner-occupied properties with net carrying amount of HK\$327,000 were transferred to investment properties upon commencement of an operating lease to an independent third party. Fair value of the leasehold lands and owner-occupied property at the date of transfer amounted to HK\$71,000,000, and a surplus on revaluation of HK\$70,673,000 was credited to property revaluation reserve.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 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:

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 2021, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK\$13,171,000 (2020: HK\$10,927,000).

## 16. DEBT INSTRUMENT AT AMORTISED COST

At 31 March 2020, the Group held an unsecured senior note denominated in United States dollar ("US\$") with a principal amount of US\$3,000,000 issued by a bank, which bore interest at the rate of 3% per annum receivable semi-annually (the "Senior Note"). The Senior Note matured on 5 April 2020.

## 17. FINANCIAL ASSETS AT FVTPL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Equity investments, at fair value:		
Listed in:		
Hong Kong	102,668	71,510
Overseas	69,295	874
	<u>171,963</u>	<u>72,384</u>
Unlisted, investment funds at fair value	75,166	111,904
Unlisted, equity instruments at fair value	179,993	–
Unlisted, debt instruments at fair value	41,885	38,920
Derivative financial instrument at fair value	1,154	–
	<u>470,161</u>	<u>223,208</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 18. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	4,613	4,226
Less: allowance for credit losses	<u>(1,599)</u>	<u>(906)</u>
	3,014	3,320
Other receivables	2,580	4,546
Deferred lease receivables	8,769	10,025
Prepayments	6,086	7,154
Deposits	<u>972</u>	<u>2,644</u>
	<u><u>21,421</u></u>	<u><u>27,689</u></u>

As at 31 March 2021 and 2020 and 1 April 2019, trade receivables from contracts with customers amounted to HK\$1,572,000, HK\$2,118,000 and HK\$3,522,000, 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 60 days	3,008	3,044
61-90 days	3	272
Over 90 days	<u>3</u>	<u>4</u>
	<u><u>3,014</u></u>	<u><u>3,320</u></u>

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

As at 31 March 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$113,000 (2020: HK\$388,000) 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 28b.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 19. 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 0.05% to 0.35% (2020: 0.05% to 3.5%) per annum.

Other deposits represent deposits with security brokers which are carrying interest ranging from 0.001% to 0.02% (2020: from 0.001% to 0.05%) 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank deposits, other deposits and bank balances and cash denominated in:		
US\$	497,708	668,557
EURO ("EUR")	1,586	1,490
Swiss Franc ("CHF")	917	900
	<u>497,708</u>	<u>668,557</u>

Details of impairment assessment of bank deposits, other deposits and bank balances are set out in note 28b.

## 20. OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Tenants' deposits	17,652	15,510
Receipts in advance	2,225	2,119
Dividend payable	5,571	5,463
Salary and bonus payable	2,484	1,256
Accruals	4,149	5,099
Others	3,475	1,194
	<u>35,556</u>	<u>30,641</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 21. SHARE CAPITAL

	Number of shares <i>'000</i>	Amount <i>HK\$'000</i>
Issued and fully paid:		
Ordinary shares with no par value		
At 1 April 2019 and 31 March 2020	135,000	178,216
Share subdivision (note)	270,000	–
	<u>405,000</u>	<u>178,216</u>
At 31 March 2021	<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.

## 22. 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 <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2019	66,457	(272)	66,185
Charge (credit) to profit or loss	4,468	(67)	4,401
	<u>70,925</u>	<u>(339)</u>	<u>70,586</u>
At 31 March 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	<u>75,739</u>	<u>(1,030)</u>	<u>74,709</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 2021, the Group has estimated unused tax losses of HK\$108,942,000 (2020: HK\$124,407,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$6,245,000 (2020: HK\$2,055,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$102,697,000 (2020: HK\$122,352,000) 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 2021

## 23. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance brought forward	832	578
Addition	–	372
Utilisation during the year	–	(118)
Reduction	(218)	–
	<hr/>	<hr/>
Balance carried forward	<u>614</u>	<u>832</u>

In addition to the provision for long service payments, the Group has contributed to the Mandatory Provident Fund Scheme for all employees commencing from 1 December 2000 and the amount charged for the year is HK\$414,000 (2020: HK\$425,000).

## 24. 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.

	<b>Dividend payable</b> <i>HK\$'000</i>
At 1 April 2019	5,134
Non-cash changes – Dividends declared ( <i>note 12</i> )	145,800
Changes from financing cash flows – Dividends paid	<hr/> (145,471)
	<hr/>
At 31 March 2020	5,463
Non-cash changes – Dividends declared ( <i>note 12</i> )	48,600
Changes from financing cash flows – Dividends paid	<hr/> (48,492)
	<hr/>
At 31 March 2021	<u>5,571</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 25. OPERATING LEASES

### The Group as lessor

Property rental income earned during the year is HK\$91,396,000 (2020: HK\$96,651,000). The properties held for rental purpose have committed leases for the next one month to three years (2020: one month to four years).

Undiscounted lease payments receivable on leases are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within one year	69,545	88,671
In the second year	33,007	53,850
In the third year	6,552	6,705
In the fourth year	–	16
	<u>109,104</u>	<u>149,242</u>

## 26. RELATED PARTY DISCLOSURES

During the year, the Group and the Company received a reimbursement of expenses amounting to HK\$240,000 (2020: HK\$240,000) from a company which is taken to be controlled by Ms. Chan Koon Fung (spouse of the late Chairman Mr. Lu Sin) and Mr. Lu Wing Yee, Wayne, executive director of the Company as he is one of the executors of the estate of Mr. Lu Sin. The reimbursement represents a share of the expenses incurred in respect of the occupation of office premises and general administrative services provided to the related company.

Details of the directors' remuneration representing the 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 30.

## 27. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of equity of the Company, comprising issued share capital, retained profits and 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 2021

## 28. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Financial assets</b>		
Financial assets at amortised cost	625,783	805,943
Financial assets at FVTPL	470,161	223,208
Debt instrument at amortised cost	–	23,248
	<u>625,783</u>	<u>805,943</u>
<b>Financial liabilities</b>		
Amortised cost	44,626	41,824
	<u>44,626</u>	<u>41,824</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 and cash, financial assets at FVTPL, debt instrument at amortised cost, 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, debt instrument at amortised cost 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
US\$	862,534	846,206
EUR	3,099	2,364
CHF	917	900
	<u>862,534</u>	<u>846,206</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 28. 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% (2020: 5%) rate increase or decrease in HK\$ against EUR and CHF. 5% (2020: 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% (2020: 5%) change in foreign currency rates. A positive number below indicates a decrease in loss for the year where HK\$ weakened 5% (2020: 5%) against the relevant currencies. For a 5% (2020: 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
EUR	129	99
CHF	38	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 19 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 was also exposed to fair value interest rate risk in relation to debt instrument at amortised cost with interest at fixed rate.

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

In view of the current low-interest rate environment, the 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 2021

## 28. 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 the Frankfurt Stock Exchange (2020: the Stock Exchange, the New York Stock Exchange and the 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% (2020: 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% (2020: 10%) higher/lower, the Group's loss for the year ended 31 March 2021 would decrease/increase by HK\$39,258,000 (2020: HK\$18,638,000) 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 debt instrument at amortised cost, bank and other deposits, bank balances and trade and other receivables.

#### *Debt instrument at amortised cost*

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

#### *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 2021

## 28. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

##### *Trade receivables*

The Group has concentration of credit risk as 37.4% (2020: 17%) of the total trade receivables 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, the ECL on trade receivables is assessed individually for debtors with significant outstanding balances or credit-impaired or collectively using a provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

##### *Other receivables*

The credit risk on the Group's other receivables is limited as the counterparties do not have any past due amounts and have low risk based on internal credit risk grading assessment.

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

<b>Internal credit rating</b>	<b>Description</b>	<b>Trade receivables</b>	<b>Other financial assets</b>
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 2021

## 28. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies (Continued)

#### *Credit risk and impairment assessment (Continued)*

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

	Notes	External credit rating		Internal credit rating		12m or lifetime ECL		Gross carrying amount	
		2021	2020	2021	2020	2021	2020	2021	2020
								HK\$'000	HK\$'000
<b>Debt instrument at amortised cost</b>									
Senior Note	16	N/A	A1	N/A	N/A	N/A	12m ECL	-	23,248
<b>Financial assets at amortised cost</b>									
Trade receivables	18	N/A	N/A	Note i	Note i	Lifetime ECL (provision matrix)	Lifetime ECL (provision matrix)	3,014	3,320
		N/A	N/A	Loss	Loss	Credit-impaired	Credit-impaired	1,599	906
Other receivables	18	N/A	N/A	Note ii	Note ii	12m ECL	12m ECL	2,580	4,546
		N/A	N/A	Loss	Loss	Credit-impaired	Credit-impaired	1,592	1,592
Bank deposits	19	A1-Aa3	A1-Aa3	N/A	N/A	12m ECL	12m ECL	331,049	610,190
Other deposits	19	Baa3-Aa2	Baa3-Aa2	N/A	N/A	12m ECL	12m ECL	41,166	26,016
Bank balances	19	A1-Aa1	A1-Aa1	N/A	N/A	12m ECL	12m ECL	247,951	161,855

#### Notes:

- i. For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired 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 2021 and 2020, no impairment allowance on trade receivables is provided based on provision matrix as the amount is considered insignificant. Impairment allowance of HK\$1,599,000 (2020: HK\$906,000) was made on a credit-impaired debtor.

- ii. For other receivables, the Group measures the loss allowance equal to 12m ECL. The Group applies internal credit risk management to assess whether credit risks has increased significantly since initial recognition, in which case the Group recognises lifetime ECL. Impairment allowance of HK\$1,592,000 (2020: 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 2021

## 28. 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 2019	–	–
Changes due to financial instruments recognised at 1 April:		
Impairment loss recognised	906	1,592
At 31 March 2020	906	1,592
Changes due to financial instruments recognised at 1 April:		
Impairment loss recognised	693	–
At 31 March 2021	<u>1,599</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	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0-1 year	29,182	23,423
1-2 years	12,513	7,948
2-5 years	2,931	10,453
Total undiscounted cash flows	<u>44,626</u>	<u>41,824</u>
Carrying amounts	<u>44,626</u>	<u>41,824</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 28. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments

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

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

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs
	31 March 2021	2020			
	HK\$'000	HK\$'000			
<b>Financial assets at FVTPL</b>					
Listed equity investments	171,963	72,384	Level 1	Quoted bid prices in an active market.	N/A
Unlisted investment funds	68,646	111,904	Level 2	Redemption values quoted by the relevant investment funds with reference to the underlying assets of funds.	N/A
	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.
Unlisted equity instruments	179,993	–	Level 2	Quoted prices provided by brokers/ financial institutions.	N/A
Unlisted debt instruments	41,885	38,920	Level 2	Quoted prices provided by brokers/ financial institutions.	N/A
Derivative financial instrument – put option	1,154	–	Level 3	Black-Scholes option pricing model: key input: spot rate of underlying assets and volatility.	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 2021

## 28. 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:

	2021 HK\$'000	2020 HK\$'000
At the beginning of the year	–	–
Additions	8,091	–
Total gains or losses in profit or loss	(417)	–
At the end of the year	<u>7,674</u>	<u>–</u>

Of the total gains or losses for the year included in profit or loss, loss of HK\$1,749,000 and gain of HK\$1,332,000 relate to put option and financial assets at FVTPL, respectively, held at the year ended 31 March 2021 (2020: nil). 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.

## 29. COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Capital expenditure contracted for but not provided in the consolidated financial statements in respect of:		
– refurbishment of investment properties	419	10,073
– acquisition of property, plant and equipment	2,760	7,734
	<u>3,179</u>	<u>17,807</u>
Commitment to contribute funds for an unlisted investment fund	2,561	–
	<u>5,740</u>	<u>17,807</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 30. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Non-current assets</b>		
Property, plant and equipment	309	293
Investments in subsidiaries	81,883	81,883
Amounts due from subsidiaries	321,914	365,294
	<u>404,106</u>	<u>447,470</u>
<b>Current assets</b>		
Financial asset at FVTPL	1,154	–
Trade and other receivables	606	644
Amounts due from subsidiaries	806,558	865,314
Bank deposits	186,042	82,160
Bank balances and cash	92,648	89,487
	<u>1,087,008</u>	<u>1,037,605</u>
<b>Current liabilities</b>		
Other payables	8,334	7,257
Amounts due to subsidiaries	120,000	62,204
Tax payable	16,387	16,387
	<u>144,721</u>	<u>85,848</u>
<b>Net current assets</b>	<u>942,287</u>	<u>951,757</u>
	<u><u>1,346,393</u></u>	<u><u>1,399,227</u></u>
<b>Capital and reserve</b>		
Share capital	178,216	178,216
Retained profits (note)	1,167,910	1,220,755
	<u>1,346,126</u>	<u>1,398,971</u>
<b>Non-current liability</b>		
Provision for long service payments	267	256
	<u>1,346,393</u>	<u>1,399,227</u>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 24 June 2021 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 2021

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

Note: Movement of retained profits

	<b>Retained profits</b> <i>HK\$'000</i>
At 1 April 2019	1,324,196
Profit and total comprehensive income for the year	42,359
Dividends paid ( <i>note 12</i> )	(145,800)
	<hr/>
At 31 March 2020	1,220,755
Loss and total comprehensive expense for the year	(4,245)
Dividends paid ( <i>note 12</i> )	(48,600)
	<hr/>
At 31 March 2021	<u>1,167,910</u>

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries at 31 March 2021 and 2020 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
			2021	2020	
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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2021

## 31. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of company	Place of incorporation/ registration/ operations	Paid-up capital	Proportion of nominal value of issued capital held by the Company		Principal activities
			2021	2020	
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
Tonichi Investment Limited (note)	British Virgin Islands/ Hong Kong	US\$1 Ordinary share	–	100%	Securities trading

*Note:* The subsidiary was dissolved during the year.

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

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

# Particulars of Major Properties

Particulars of major properties which were held by the Group at 31 March 2021 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



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## The LU+ 商務中心開幕禮暨慈善活動日 The LU+ Business Centre Opening Ceremony and Fundraising Event



## 社區參與 Community Engagement

