安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

Annual Report 年報 2012

Contents

Corporate Information

DIRECTORS

Executive Directors

Mr. Lu Sin *(Chairman and Managing Director)*
Mr. Lui Chi Lung (Resigned on 1 February 2012)
Mr. Lu Wing Yee, Wayne
Mr. Oen Min Tjin

Non-executive Directors

Mr. Lu Yong Lee (Resigned on 23 September 2011)
Mr. Lee Ka Sze, Carmelo

Independent Non-executive Directors

Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

COMPANY SECRETARY

Mr. Wong Leung Wai

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Bank of Tokyo-Mitsubishi UFJ

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

AUDIT COMMITTEE

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

REMUNERATION AND NOMINATION COMMITTEE

Mr. Lam Ming Leung *(Chairman, with effect from 1 April 2012)*
Mr. Lu Sin
Mr. Lee Ka Sze, Carmelo
Mr. Leung Man Chiu, Lawrence
Mr. Gan Khai Choon (appointed as member with effect from 1 April 2012)

REGISTERED OFFICE

Units 1305-1306, 13th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
26/F., Tesbury Centre
28 Queen's Road East
Hong Kong

WEBSITE

http://www.safetygodown.com

STOCK CODE

237

KEY DATES

Final Results Announcement	28 June 2012
Annual General Meeting	13 August 2012
Closure of Register of Members	i) 9 to 13 August 2012 (both days inclusive)
	ii) 20 to 22 August 2012 (both days inclusive)
Record Date for Final Dividend and Special Dividend	22 August 2012
Payment of Final Dividend and Special Dividend	on or around 3 September 2012

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Lu Sin, aged 93, is the founder of the Group and the Chairman and Managing Director of the Company. He is the Chairman and Managing Director of Kian Nan Financial Limited, and the Permanent Managing Director of Fu Nan Enterprises Company Limited, all being substantial shareholders of the Company. He is also the Co-founder of Kian Nan Trading Co Limited. He has over 45 years experience in public godown operation, property development, textile industry and international trading. Mr. Lu is the Honorary President of Fujian Hong Kong Economic Development Association Limited and the Honorary President of Fujian Association of Enterprises with Foreign Investment. He was appointed as an Advisor on Hong Kong Affairs to the Government of the People's Republic of China and had been a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. He had also been, a member of the University Court of The University of Hong Kong and an Honorary Director and a member of the Membership Committee of The University of Hong Kong Foundation for Educational Development and Research. Mr. Lu is also an Honorary Professor of the Post-graduate School of the Chinese Academy of Social Science and an Honorary Fellow of The University of Hong Kong. Mr. Lu Sin is the father of Mr. Lu Wing Yee, Wayne, Executive Director of the Company.

Mr. Oen Min Tjin, aged 75, has been a Director of the Company since 2004. Mr. Oen acted as an Independent Non-executive Director from 28 September 2004 to 16 June 2006 and has been an Executive Director since 16 June 2006. Mr. Oen graduated from National Taiwan University. Mr. Oen is a Director of Ramada Bintang Bali Hotel, Bali, Indonesia. Mr. Oen was with Kian Nan Trading Co., Ltd. from 1961 to 1978. Mr. Oen was the Managing Director of ANTA Express from 1978 to 2005.

Mr. Lu Wing Yee, Wayne, aged 38, was appointed as an Executive Director of the Company on 12 December 2008. He joined the Group in July 2001, and prior to his appointment as Executive Director has acted as a Group Manager of the Group in charge of day-to-day operation of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu is a member of The American Institute of Certified Public Accountants. He has a master degree in business administration, a bachelor degree of science in business administration and a diploma in risk management. Mr. Lu has previously worked for audit firm, securities and brokerage firm and listed property company. He is the son of Mr. Lu Sin, the Chairman of the Company.

NON-EXECUTIVE DIRECTOR

Mr. Lee Ka Sze, Carmelo, aged 52, has been a Director of the Company since 2000. Mr. Lee acted as an Independent Non-executive Director from 1 July 2000 to 28 September 2004 and has been a Non-executive Director since 28 September 2004. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a Non-executive Director of several listed public companies in Hong Kong, namely China Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and Hopewell Holdings Limited. Mr. Lee is also an Independent Non-executive Director of two listed public companies in Hong Kong, namely KWG Property Holding Limited and Ping An Insurance (Group) Company of China, Ltd. Mr. Lee is also the Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 66, has been an Independent Non-executive Director of the Company since 1990. He is also an Executive Director of City e-Solutions Limited (formerly known as CDL Hotels International Limited, a company listed in The Stock Exchange of Hong Kong Limited) and Managing Director of Hong Leong International (Hong Kong) Limited. Mr. Gan has extensive experience in finance, property development, hotel management and international trading.

Mr. Lam Ming Leung, aged 60, has been an Independent Non-executive Director of the Company since 1 January 2004. Mr. Lam was a director and general manager of The National Commercial Bank Limited, Hong Kong Branch.

Mr. Leung Man Chiu, Lawrence, aged 64, has been an Independent Non-executive Director of the Company since 16 June 2006. He is also an Independent Non-executive Director of Pak Fah Yeow International Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Leung 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.

Five Year Financial Summary

	2012 HK$'000	2011 HK$'000 (restated)	2010 HK$'000 (restated)	2009 HK$'000 (restated)	2008 HK$'000 (restated)
Consolidated Statement of Comprehensive Income					
Turnover					
Godown operations	**31,150**	22,262	17,996	23,914	26,507
Property investment	**76,222**	68,480	76,227	82,718	66,981
Treasury investment	**4,569**	4,872	883	3,154	6,513
	111,941	95,614	95,106	109,786	100,001
Profit (loss) attributable to owners of the Company					
Godown operations	**16,615**	7,738	5,178	9,385	7,785
Investment property	**54,666**	52,167	63,424	71,499	56,897
Treasury investment	**3,891**	45,430	16,359	(18,207)	37,916
Increase (decrease) in fair value of investment properties	**251,635**	275,540	210,809	(264,075)	95,000
Other administrative cost	**(5,262)**	(5,958)	(5,236)	(5,004)	(4,864)
Gain on deregistration of a subsidiary	**–**	–	–	–	996
Profit (loss) before taxation	**321,545**	374,917	290,534	(206,402)	193,730
Taxation	**(12,618)**	(15,363)	(11,916)	9,379	(15,422)
Profit (loss) for the year attributable to owners of the company	**308,927**	359,554	278,618	(197,023)	178,308
Consolidated Statement of Financial Position					
Total assets	**2,176,067**	2,036,721	1,709,219	1,426,638	1,681,559
Total liabilities	**(82,208)**	(82,221)	(74,221)	(23,412)	(26,234)
Equity attributable to owners of the company	**2,093,859**	1,954,500	1,634,998	1,403,226	1,655,325
Per Share					
Earnings (loss) per share	**HK$2.29**	HK$2.66	HK$2.06	(HK$1.46)	HK$1.32
Dividends per share	**HK$1.19**	29 cents	29 cents	8 cents	25 cents
Dividend payout ratio *(Note 1)*	**280.41%**	46.60%	57.74%	16.11%	40.51%
Net asset value per share	**HK$15.51**	HK$14.48	HK$12.11	HK$10.39	HK$12.26
Ratios					
Return on average shareholders funds	**15.26%**	20.03%	18.34%	(12.88%)	12.10%
Current ratio	**7.49:1**	9.32:1	9.37:1	7.86:1	7.22:1
Gearing ratio *(Note 2)*	**–**	–	–	–	–

Notes:

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

2. Gearing ratio is calculated at the ratio of total interest bearing loans to total assets of the Group at balance sheet date. As there were no borrowings during the past 5 years, the gearing ratio for the 5 years were therefore equal to zero.

3. Prior year's figures have been adjusted to reflect the change in accounting policy during the year.

Chairman's Statement

I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2012.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK7 cents per share, amounting to HK$9,450,000 and a special dividend of HK12 cents per share, amounting to HK$16,200,000 for the year ended 31 March 2012, to shareholders whose names appear on the register of members on 22 August 2012 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final dividend and special dividend will be despatched to shareholders on or around 3 September 2012. Together with the interim dividend of HK7 cents per share and special dividend of HK93 cents per share already paid, the total distribution for the year ended 31 March 2012 will be HK$1.19 per share. Total distribution for the previous year was HK29 cents per share.

BUSINESS REVIEW

During the year under review, the US Federal Reserve ended the second round of quantitative easing whilst market concerns over potential deterioration in the Eurozone debt crisis intensified. Meanwhile, as the Chinese Government has adopted macroeconomic control measures to curb inflation, the economic growth of China has fallen below estimates. Amidst fluctuations in the global financial markets, Hong Kong's foreign trade volume continued to slide with a decline in overall exports, leading to weak demand for the logistics and warehousing industries in the territory.

Since the items stored in our godowns were principally paper materials and goods for domestic demand, which were adversely impacted by the weakened exports to a lesser extent, godown rental income jumped significantly compared to the same period last year. Returns on treasury investments during the year declined as a result of the sharp volatility in the stock market.

With the growing number of financial institutions and enterprise groups moving away from core commercial zones, there has been rising demand for leased properties in Kowloon East. With occupancy rate for Lu Plaza standing at 90%, stable rental income was brought to the Group. Furthermore, lessees of our godown space have been predominately high quality corporations. As rentals applicable to certain lessees were raised during the period, the overall rental income for the period also increased from last year.

Certain non-core investment properties were disposed of at HK$16,700,000 during the year. The disposal was at a gain to the Group.

OUTLOOK

Due to the slow recovery in the US economy and potential deterioration in the Eurozone debt crisis, many countries are expecting the US to launch another round of quantitative easing. Foundation of the global economy is still apparently weak. While China's economy is in the course of soft landing and some traditional markets are vanishing, the demand for import is anticipated to decline, thus creating obstacles to the closely bonded import and export industries of Hong Kong. The warehousing industry, nevertheless linked with the supply chains, will inevitably receive some extent of impact.

With the business model adopted over the past few years, the Group has secured the leasing of godown spaces by large clients, In addition, the outlook for the rental market in Kowloon East is still promising. Therefore, we anticipate that the overall rental income of the Group will remain stable.

As the Group resolved to postpone the redevelopment plan of Safety Godown No. 4 warehouse at Kwok Shui Road, Kwai Chung in mid of last year, part of the funds previously reserved for the redevelopment project was distributed to shareholders as interim dividends at the rate of HK$0.93 per share as special dividend together with an ordinary dividend of HK$0.07 per share. The total dividend per share was HK$1.00, corresponding to a total distribution of HK$135 million to the shareholders. Facing the uncertainties in the economy and the property market of Hong Kong, the Management is considering different possibilities regarding the future development of the Safety Godown No. 4 warehouse. In other words, Safety Godown No. 4 warehouse will remain status quo and their operations will continue.

In response to the Hong Kong SAR Government's initiative to promote revitalization of old industrial buildings, the Group plans to apply for converting Lu Plaza, which is currently an industrial and office building, into non-industrial use. Professional agents have been appointed to conduct necessary study and planning. While the project is only in the preliminary stage, commencement of the actual development works in the short run is not expected.

Lu Sin
Chairman

Hong Kong, 28 June 2012

Management Discussion and Analysis

FINANCIAL RESULTS

The Group's turnover continued to record growth and reached HK$111,941,000 in 2012, representing an increase of 17.08% from HK$95,614,000 in 2011. Profit for the year reported at HK$308,927,000 comparing to profits of HK$359,554,000 last year. If excluding the fair value change in investment properties, the underlying profit was HK$57,292,000, a drop of 31.81% from HK$84,014,000 last year. The decrease in profit was mainly attributable to the decrease in contribution from treasury investment during the year. Basic earnings per share dropped to HK$2.29 (2011: HK$2.66).

GODOWN OPERATIONS

The performance in the godown operations was impressive this year. Turnover from godown operations grew by 39.92% to HK$31,150,000, while profits generating from godown operations surged by 114.72% to HK$16,615,000 this year. The growth in revenue and profit margin was mainly attributable to the increase in godown spaces which were transferred from investment properties last year and the upward adjustments in godown rentals during the year.

PROPERTY INVESTMENT

The Group has continued to deliver solid performance in property investment. Albeit the increase in supply of offices in Eastern Kowloon in recent years, the demand for office space in the area has also increased as a result of the rapid increase in rental levels in core commercial areas. Turnover and profit contribution from leasing for the year ended 31 March 2012 increased by 11.31% to HK$76,222,000 and by 4.79% to HK$54,666,000 respectively. The Group's core investment property, Lu Plaza, is located at Kowloon East which is now developing as an emerging business district. It continues to generate steady streams of revenue to the Group. Overall occupancy level stood at 90% throughout the year with rental rates increased slightly.

During the year, the Group disposed of two small investment properties at a total consideration of HK$16,700,000 and achieved a gain on disposal of HK$2,482,000, which was included in the fair value gain on investment properties of HK$251,635,000. At 31 March 2012, the Group's investment properties were revalued at HK$1,775,820,000 (2011: HK$1,539,254,000).

TREASURY INVESTMENT

In the past 12 months, the global economy has been impacted by the sovereign debt crisis in the Eurozone which has caused volatility in Hong Kong stock market. During the period, Hang Seng Index experienced a big rally by tumbling around 8,100 points from April 2011 to October 2011 and recovered around 4,300 points up to the year end date. In view of the uncertain economic climate, the Group had reduced its securities investment weightings from HK$145,123,000 to HK$74,484,000. In addition, in order to earn steady interest income, the Group had acquired an Australian dollar bond investment which bears fixed interest of 7.75% per annum. Hence, the interest income increased by 115.43% to HK$1,913,000 this year while dividend income from listed investments decreased by 33.33% to HK$2,656,000 this year. Profits generated from treasury investment dropped significantly from HK$45,430,000 in 2011 to HK$3,891,000 this year.

The Group's primary foreign exchange exposure arises from Australian dollar fixed deposits and bond investments. During the year the Group had net exchange gain of HK$956,000 (2011: HK$8,578,000). The Group continuously closely monitor the foreign exchange risk exposure resulted from the foreign currency investments.

The Group recorded a fair value loss on available-for-sale investments of HK$8,918,000 (2011: fair value gain of HK$7,198,000) which was included in the investment revaluation reserve. As at 31 March 2012, the available-for-sale investments amounted to HK$22,932,000 (31 March 2011: HK$31,850,000).

The Group will continue to adhere to a policy of financial prudence in managing treasury investment. Securities investment comprised principally securities listed in Hong Kong.

Management Discussion and Analysis

OPERATING EXPENSES

The Group's depreciation charge for fixed assets increased significantly from HK$3,025,000 to HK$8,031,000 this year. The increase was mainly resulted from reclassification of a 4 storeys investment property to property, plant and equipment last year.

Total staff costs were maintained at HK$20,976,000 (2011: HK$21,528,000). There was no finance cost incurred by the Group as there were no bank borrowings during the year.

LIQUIDITY AND FINANCIAL RESOURCES

Despite payments of generous dividends in the aggregate amount of HK$160,650,000 during the year, the financial and cash position of the Group has remained strong. As at 31 March 2012, the total bank balances amounted to HK$170,094,000 (2011: HK$186,060,000). The current ratio maintained at a high level of 7.49 times (31 March 2011: 9.32 times). The Group does not have any significant long term liabilities except the provision for long service payment and deferred tax liabilities.

Recurring cash flows from our business continued to remain steady and strong. During the year, the net cash generated from operating activities amounted to HK$138,348,000 (2011: HK$8,706,000). The Group has sufficient reserves to satisfy its short term investments and working capital requirements.

The shareholders' funds as at 31 March 2012 amounted to HK$2,093,859,000, a further increase of 7.13% from last year, with the net asset value per share of the Group as at 31 March 2012 stood at HK$15.51 (2011: HK$14.48).

DIVIDEND POLICY

It is the Group's intention to provide shareholders with relatively consistent dividend income over the long term. The management will try to maintain the dividend payment at a satisfactory level based on the business environment and the performance of the Group.

PLEDGE OF ASSETS

Details regarding pledge of assets are set out in note 27 to the consolidated financial statements.

EMPLOYEES

As at 31 March 2012, the Group employed 64 (2011: 65) employees. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based upon staff performance and results of the Group. The Group does not have any share option scheme for employees.

CONTINGENT LIABILITIES

As at 31 March 2012, the Group did not have any significant contingent liabilities.

Management Discussion and Analysis

CLOSURE OF MEMBERS REGISTER

To ascertain the shareholders' entitlement to attend and vote at the meeting, the Register of Members will be closed from Thursday, 9 August 2012 to Monday, 13 August 2012, both days inclusive, during which period no transfer of shares can be registered. In order to be eligible to attend and vote at the meeting, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Wednesday, 8 August 2012.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Monday, 20 August 2012 to Wednesday, 22 August 2012, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 17 August 2012.

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Hong Kong, 28 June 2012

Corporate Governance Report

The Board of Directors and the management of the Company recognise the importance and benefits of good corporate governance practices and have adopted certain corporate governance and disclosure practices aiming at a high level of transparency and accountability. The Company is committed to continuously improving its corporate governance practices as part of its own corporate culture.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the “Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2012 except for the following deviations from the code provisions A.2.1 and A.4.1.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Lu Sin is the Chairman and the Chief Executive Officer of the Company. He is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as over one-third of the Board members are represented by Independent Non-executive Directors throughout the year. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Chairman is responsible for ensuring that directors receive adequate information in a timely manner.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. However all Non-executive Directors are appointed with no specific term. In fact, all the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Articles of Association. The Board considers that such requirements are sufficient to meet the underlying objectives of the relevant code provision and therefore does not intend to take any remedial steps in this regards.

The Company reviews its corporate governance practices regularly to ensure compliance with the Code.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2012.

BOARD OF DIRECTORS

The Board is currently composed of three Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Over one-third of the Board members are Independent Non-executive Directors which enables the Board to exercise independent judgement effectively. The composition of the Board is shown below. Biographies of the Directors which include relationship among members of the Board are set out on page 3 under the subject Biographical Information of Directors.

During the year, a total of five meetings were held. Details of Directors’ attendance records are as follows:

Composition of the Board	**Number of meetings attended/held**
Executive Directors	
Mr. Lu Sin *(Chairman and Managing Director)*	4/5
Mr. Lui Chi Lung (resigned on 1 February 2012)	4/4
Mr. Oen Min Tjin	5/5
Mr. Lu Wing Yee, Wayne	4/5
Non-executive Directors	
Mr. Lu Yong Lee (resigned on 23 September 2011)	0/3
Mr. Lee Ka Sze, Carmelo	5/5
Independent Non-executive Directors	
Mr. Gan Khai Choon	5/5
Mr. Lam Ming Leung	5/5
Mr. Leung Man Chiu, Lawrence	4/5

BOARD OF DIRECTORS (Continued)

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

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

The types of decisions which are to be taken by the Board include:

– the strategic plans and directions, and financial objectives of the Group;
– monitoring the performance of the management;
– implementing and monitoring an effective framework of internal controls and risk management;
– ensuring that the Company has good corporate governance and is in compliance with applicable laws and regulations.

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

The Board has a balance of skills and experience appropriate for the requirements of the Group's business. All Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the Directors.

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

CHAIRMAN AND CHIEF EXECUTIVE

Mr. Lu Sin currently assumes the roles of both the Chairman and Chief Executive Officer of the Company. The reasons for the deviation from the Code provision A.2.1 are explained in the section headed "Corporate Governance Practices" above.

NON-EXECUTIVE DIRECTORS

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

BOARD COMMITTEES

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee was established in April 2004. A majority of the members are Independent Non-executive Directors. The Committee is currently comprised of five members including the Chairman of the Board, one Non-executive Director and three Independent Non-executive Directors. The Committee is chaired by Mr. Lam Ming Leung (appointed to act as Chairman with effect from 1 April 2012). The other members are Mr. Lu Sin, Mr. Lee Ka Sze, Carmelo, Mr. Leung Man Chiu, Lawrence and Mr. Gan Khai Choon (appointed as committee member with effect from 1 April 2012).

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 and review remuneration policy and packages of all Directors and senior management; and review and approve compensation packages, roles and responsibilities and performance assessment of employees of the Group.

BOARD COMMITTEES (Continued)

Remuneration and Nomination Committee (Continued)

New directors are sought mainly through referrals and internal promotions. In evaluating whether an appointee is suitable to act as a director, the Board will review the independence, experience and skills of the appointee as well as personal ethics, integrity and time commitment of the appointee. The emoluments of Directors are based on the skill, knowledge and involvement in the Company's affairs of each Director and are determined by reference to the Company's performance and profitability.

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

Name	Number of meetings attended/held
Mr. Lu Sin	0/3
Mr. Lee Ka Sze, Carmelo	3/3
Mr. Lam Ming Leung	3/3
Mr. Leung Man Chiu, Lawrence	3/3

The Remuneration and Nomination Committee had considered the following proposals and made recommendation to the Board:–

(a) re-election of Mr. Lu Wing Yee, Wayne, Mr. Lee Ka Sze, Carmelo and Mr. Leung Man Chiu, Lawrence, directors of the Company, to be proposed for shareholders' approval at the Annual General Meeting 2012;

(b) assessed the independence of the Independent Non-executive Directors of the Company;

(c) annual salary and bonus review for staff of the Group; and

(d) review and approve Directors' remuneration and fees.

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

Audit Committee

The Audit Committee is accountable to the Board and assists the Board in ensuring an effective system for meeting its external financial reporting obligations and internal control and compliance.

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

The principal duties of the Audit Committee include the review of the financial reporting, internal control and risk management systems of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

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

Name	Number of meetings attended/held
Mr. Gan Khai Choon	2/2
Mr. Lee Ka Sze, Carmelo	2/2
Mr. Lam Ming Leung	2/2
Mr. Leung Man Chiu, Lawrence	2/2

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the year, the Audit Committee had reviewed and discussed the following matters with the external auditors:

(i) the accounting principles and policies adopted by the Group;

(ii) the annual results (including the announcement thereof) and the audited financial statements for the year ended 31 March 2012;

(iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 September 2011;

(iv) any significant findings by the independent auditor during the financial audit and other audit issues;

(v) the letters of management representations issued to the independent auditor in connection with the audit or review of the Group's relevant financial statements; and

(vi) the system of internal control including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget.

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

AUDITOR'S REMUNERATION

The Board agrees with the Audit Committee's proposal for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditor for 2013. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 13 August 2012.

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

Nature of services	**2012**	2011
	HK$	*HK$*
Review fee for interim results	**122,000**	118,800
Audit fee for final results	**751,000**	754,000
Taxation consultancy services fee	**113,300**	110,000
Total audit and non-audit services	**986,300**	982,800

ACCOUNTABILITY

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

The financial statements are prepared on a going concern basis. The Directors confirm that, to the best of their knowledge, they are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The external auditor has a primary responsibility for auditing and reporting on the financial statements and the Report of the Independent Auditor to the Shareholders is set out on page 19 of this Annual Report. The management of each business within the Group provides the Directors with such information and explanations necessary to enable them to make an informed assessment of the financial and other information put before the Board for approval.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining a sound and effective system of internal control to safeguard the shareholders' investment and the Company's assets, and for reviewing its effectiveness.

The Group has a clear organisational structure with well defined responsibilities, reporting lines and authority limits and budgetary controls on managers of operating divisions. The scope of internal controls and risk management covering financial, operational and compliance areas, and control procedures are to identify and manage risks.

The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to manage risks of failure in the Group's operational systems and in the achievement of the Group's business objectives. In developing our internal control system, we have taken into consideration our organization structure and the nature of our business activities.

The Board reviews the effectiveness of the Company's internal control system, including the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget, on a continuous and regular basis.

The Board has conducted a review of the effectiveness of the system of internal control and risk management of the Group for the financial year ended 31 March 2012. The Board has also engaged an external consultant to independently assess the Group's system of internal control and risk management. Recommendations have been suggested to and adopted by the Board in order to enhance the Group's system of internal control and minimise operational risk.

The Board is of the view that the Company has the appropriate accounting system and adequate human resources to discharge the financial reporting function of the Group for the year ended 31 March 2012. Training programmes and budget will be provided from time to time for further enhancement.

COMMUNICATION WITH SHAREHOLDERS

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

The Company encourages the Shareholders to attend annual general meetings and all its other shareholders' meetings to discuss progress and matters. The Chairman of the Board and other Directors are available at these meetings to answer Shareholders' questions. In accordance with Rule 13.39(4) of the Listing Rules, all the resolutions to be proposed at the 2012 Annual General Meeting will be decided on poll. The Company's share registrars in Hong Kong will act as the scrutineer for the vote-taking, the voting results of which will be announced by the Company in accordance with Rule 2.07C of the Listing Rules as soon as possible on the websites of the Stock Exchange and the Company respectively. The Chairman of shareholders' meeting will ensure that any vote of shareholders at the 2012 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

Shareholders holding not less than one-twentieth of the paid-up capital of the Company may request the Board to convene an extraordinary general meeting by depositing a signed requisition stating the objects of the meeting at the Company's registered office.

INVESTOR RELATIONS

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

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

SOCIAL SERVICES

Our enthusiasm in social welfare and fulfilment of corporate social responsibilities has been the philosophy of our continuous corporate development. We continue to sponsor the "Hong Kong Synergy 24 Drum Competition" organised by the Hong Kong Chinese Orchestra in promoting Chinese culture; to donate to the Po Leung Kuk "Child Sponsorship Programme House Sponsorship" and to the Evangel Children's Home "U-Turn for a Stable Home" programme in helping the deprived children; to organize volunteers' visitations to the elderly at the Kwong Yum Home for the Aged at Diamond Hill and at Kwun Tong respectively during the Mid-Autumn Festival and Christmas. Our support to the "Used Book Recycling Campaign" by World Vision Hong Kong helps to increase the opportunity of obtaining education to those under-privileged school-aged children of the rural areas in Mainland China. On the other hand, we persist in recycling and conserving energy in our daily operations. We actively participate in various social welfare activities: sponsor and participate in the Federation of the Hong Kong Polytechnic University Alumni Associations' "Greening Hong Kong"; donate to the Community Chest's "Corporate Challenge" and "Green Day"; Orbis pins; World Vision "Skip-A-Meal" and many more.

Hence, we have been awarded the "Caring Company" logo by the Hong Kong Council of Social Service for the ninth consecutive year in recognition of our corporate citizenship and contribution to social development.

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Hong Kong, 28 June 2012

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 2012.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2012 are set out in the consolidated statement of comprehensive income on page 20.

An interim and special dividends of HK7 cents and HK93 cents per share, amounting to HK$9,450,000 and HK$125,550,000 were paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK7 cents per share amounting to HK$9,450,000 and a special dividend of HK12 cents per share amounting to HK$16,200,000 to the shareholders whose names appear on the register of members on 22 August 2012, and the retention of the remaining profit for the year of HK$148,277,000.

Other movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 22.

INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 12 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 13 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2012, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$423,552,000 (2011: HK$573,659,000). Details of the Company's distributable reserves are set out in note 24 to the consolidated financial statements.

DIRECTORS

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

Executive directors
Mr. Lu Sin *(Chairman & Managing Director)*
Mr. Lu Wing Yee, Wayne
Mr. Oen Min Tjin
Mr. Lui Chi Lung (resigned on 1 February 2012)

Non-executive directors
Mr. Lee Ka Sze, Carmelo
Mr. Lu Yong Lee (resigned on 23 September 2011)

DIRECTORS (Continued)

Independent non-executive directors
Mr. Gan Khai Choon
Mr. Lam Ming Leung
Mr. Leung Man Chiu, Lawrence

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Wing Yee, Wayne, Mr. Lee Ka Sze, Carmelo and Mr. Leung Man Chiu, Lawrence shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. Details of the directors to be re-elected at the 2012 annual general meeting are set out in the circular to the shareholders sent together with this Annual Report.

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

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

DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2012, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

	Number of issued ordinary shares of the Company held (long position)				Percentage of issued share capital
Name of director	**Personal interests**	**Family interests**	**Corporate interests**	**Total**	**of the Company**
Mr. Lu Sin	4,400,000	2,589,500[1]	59,553,445[2]	66,542,945	49.29%
Mr. Lu Wing Yee, Wayne	7,910,420	–	23,440[3]	7,933,860	5.88%
Mr. Lam Ming Leung	10,000	–	–	10,000	0.0074%

Notes:

1. Mr. Lu Sin was deemed to be interested in these 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung personally.
2. Mr. Lu Sin was deemed to be interested in these 59,553,445 shares which comprise:
   (i) 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 98% held by Lusin and Company Limited which in turn was controlled by Mr. Lu Sin;
   (ii) 2,000,000 shares held through Lusin and Company Limited which was controlled by Mr. Lu Sin; and
   (iii) 10,350,000 shares held through Earngold Limited of which Mr. Lu Sin and his spouse, Ms. Chan Koon Fung, indirectly owned in aggregate 50% of the issued share capital.
3. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares through a company, which was 100% controlled by himself.

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 2012.

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' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 29 to the consolidated financial statements, no contract of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

At 31 March 2012, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

	Number of issued ordinary shares held		Percentage of issued share capital
Name of substantial shareholder	**Direct interest**	**Indirect interest**	**of the Company**
Lusin and Company Limited	2,000,000	47,203,445[1]	36.45%
Kian Nan Financial Limited	47,203,445	–	34.97%
Fu Nan Enterprises Company Limited	11,999,661	–	8.89%
Earngold Limited	10,350,000	–	7.67%

Notes:

1. Lusin and Company Limited was deemed to be interested in 47,203,445 shares of the Company by virtue of its 98% shareholding in Kian Nan Financial Limited.

2. Ms. Chan Koon Fung, the spouse of Mr. Lu Sin, was taken to be interested in a total of 66,542,945 shares of the Company, representing approximately 49.29% of the issued shares of the Company, which comprise her personal interest and Mr. Lu Sin's interests in the shares of the Company as disclosed in the section headed "Directors' Interests in Securities" above.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 March 2012.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 8% (2011: 8%) of its turnover.

The aggregate sales attributable to the Group's five largest customers accounted for 31% (2011: 30%) of the Group's total turnover.

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

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

Directors' Report

PURCHASE, SALE OR REDEMPTION OF SHARES

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

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all of the independent non-executive directors are independent.

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2012.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$286,000.

CORPORATE GOVERNANCE

The Board of the Company are committed to maintain high standards of corporate governance. The Company has complied throughout the year ended 31 March 2012 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 9 to 14 of the Annual 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
Director

Oen Min Tjin
Director

Hong Kong, 28 June 2012

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 59, which comprise the consolidated and the company statements of financial position as at 31 March 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2012, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
28 June 2012

Consolidated Statement of Comprehensive Income
For the year ended 31 March 2012

	Notes	**2012**	2011
		HK$'000	*HK$'000*
			(restated)
Turnover	4	**111,941**	95,614
Income from godown operations		**31,150**	22,262
Income from property investment		**76,222**	68,480
Fair value (loss) gain on investments held for trading		**(967)**	33,100
Interest income		**1,913**	888
Dividend income		**2,656**	3,984
Other income and gains		**1,445**	9,034
Increase in fair value of investment properties	12	**251,635**	275,540
Staff costs		**(20,976)**	(21,528)
Depreciation of property, plant and equipment		**(8,031)**	(3,025)
Other expenses		**(13,502)**	(13,818)
Profit before taxation	8	**321,545**	374,917
Taxation	9	**(12,618)**	(15,363)
Profit for the year attributable to owners of the Company		**308,927**	359,554
Other comprehensive (loss) income			
Fair value (loss) gain of available-for-sale investments		**(8,918)**	7,198
Total comprehensive income for the year attributable to owners of the Company		**300,009**	366,752
Earnings per share – Basic	11	**HK$2.29**	HK$2.66

Statements of Financial Position

At 31 March 2012

	Notes	THE GROUP			THE COMPANY	
		31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
		HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
			(restated)	(restated)		
Non-current assets						
Investment properties	12	**1,775,820**	1,539,254	1,369,375	**–**	–
Property, plant and equipment	13	**114,394**	122,006	18,305	**889**	994
Investments in subsidiaries	14	**–**	–	–	**30,031**	30,031
Amounts due from subsidiaries	15	**–**	–	–	**514,621**	557,627
Available-for-sale investments	16	**22,932**	31,850	24,652	**22,932**	31,850
Held-to-maturity investment	17	**8,156**	–	–	**–**	–
		1,921,302	1,693,110	1,412,332	**568,473**	620,502
Current assets						
Investments held for trading	18	**74,484**	145,123	61,518	**7,658**	8,246
Trade and other receivables	19	**9,695**	10,463	8,979	**3,705**	3,475
Amounts due from subsidiaries	15	**–**	–	–	**120,401**	204,186
Tax recoverable		**492**	1,965	861	**416**	–
Bank and other deposits	20	**88,474**	165,382	156,732	**20,146**	71,220
Bank balances and cash		**81,620**	20,678	68,797	**60,187**	13,441
		254,765	343,611	296,887	**212,513**	300,568
Current liabilities						
Other payables	21	**32,373**	32,301	29,692	**6,253**	6,377
Amounts due to subsidiaries	22	**–**	–	–	**22,481**	2,794
Tax payable		**1,659**	4,568	2,006	**–**	638
		34,032	36,869	31,698	**28,734**	9,809
Net current assets		**220,733**	306,742	265,189	**183,779**	290,759
		2,142,035	1,999,852	1,677,521	**752,252**	911,261
Capital and reserves						
Share capital	23	**135,000**	135,000	135,000	**135,000**	135,000
Share premium and reserves	24	**1,958,859**	1,819,500	1,499,998	**616,036**	775,061
Equity attributable to owners of the Company		**2,093,859**	1,954,500	1,634,998	**751,036**	910,061
Non-current liabilities						
Deferred tax liabilities	25	**45,935**	42,801	40,166	**–**	–
Provision for long service payments	26	**2,241**	2,551	2,357	**1,216**	1,200
		48,176	45,352	42,523	**1,216**	1,200
		2,142,035	1,999,852	1,677,521	**752,252**	911,261

The consolidated financial statements on pages 20 to 59 were approved and authorised for issue by the Board of Directors on 28 June 2012 and are signed on its behalf by:

Lu Wing Yee, Wayne
Director

Oen Min Tjin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

	Share capital *HK$'000*	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 April 2010 (as originally stated)	135,000	43,216	9,873	63,618	1,273,034	1,524,741
Effect of changes in accounting policies	–	–	–	–	110,257	110,257
At 1 April 2010 (as restated)	135,000	43,216	9,873	63,618	1,383,291	1,634,998
Profit for the year (as restated)	–	–	–	–	359,554	359,554
Fair value gain of available-for-sale investments	–	–	7,198	–	–	7,198
Total comprehensive income for the year (as restated)	–	–	7,198	–	359,554	366,752
Dividends paid *(note 10)*	–	–	–	–	(47,250)	(47,250)
At 31 March 2011 (as restated)	135,000	43,216	17,071	63,618	1,695,595	1,954,500
Profit for the year	–	–	–	–	308,927	308,927
Fair value loss of available-for-sale investments	–	–	(8,918)	–	–	(8,918)
Total comprehensive (loss) income for the year	–	–	(8,918)	–	308,927	300,009
Dividends paid *(note 10)*	–	–	–	–	(160,650)	(160,650)
At 31 March 2012	135,000	43,216	8,153	63,618	1,843,872	2,093,859

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

	2012	2011
	HK$'000	*HK$'000*
Operating activities		
Profit before taxation	**321,545**	374,917
Adjustments for:		
Gain on disposal of property, plant and equipment	**–**	(140)
Increase in fair value of investment properties	**(251,635)**	(275,540)
Unrealised loss (gain) on investments held for trading	**11**	(14,387)
Depreciation of property, plant and equipment	**8,031**	3,025
Impairment loss recognised on other receivables	**1,810**	–
Impairment loss recognised on trade receivables	**–**	148
Provision for long service payments	**282**	541
Exchange difference	**158**	–
Operating cash flows before movements in working capital	**80,202**	88,564
Increase in trade and other receivables	**(1,042)**	(1,632)
Decrease (increase) in investments held for trading	**70,628**	(69,218)
Increase in other payables	**72**	2,609
Long service payments utilised	**(592)**	(347)
Cash generated from operations	**149,268**	19,976
Income tax paid	**(10,920)**	(11,270)
Net cash from operating activities	**138,348**	8,706
Investing activities		
Withdrawal of bank deposits	**51,074**	102,559
Decrease (increase) in deposits with security brokers	**28,609**	(69,658)
Sales proceeds from disposal of investment properties	**16,496**	–
Purchase of held-to-maturity investment	**(8,314)**	–
Addition of bank deposits	**(2,775)**	(41,551)
Addition of investment properties	**(1,427)**	(139)
Purchase of property, plant and equipment	**(419)**	(1,146)
Sales proceeds from disposal of property, plant and equipment	**–**	360
Net cash from (used in) investing activities	**83,244**	(9,575)
Cash used in financing activity		
Dividends paid	**(160,650)**	(47,250)
Net increase (decrease) in cash and cash equivalents	**60,942**	(48,119)
Cash and cash equivalents at beginning of the year	**20,678**	68,797
Cash and cash equivalents at end of the year	**81,620**	20,678
Analysis of cash and cash equivalents		
Bank balances and cash	**81,620**	20,678

1. GENERAL INFORMATION

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in the annual report.

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 33.

The consolidated financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group and the Company has applied the following new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets
Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

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

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date)

The Group has applied amendments to HKAS 12 titled "Deferred Tax – Recovery of Underlying Assets" in advance of their effective date (annual periods beginning on or after 1 April 2012). Under the amendments, investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property" are presumed to be recovered through sale for the purposes of measuring deferred tax, unless the presumption is rebutted in certain circumstances.

As a result, the Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred tax in respect of such properties. The application of the amendments has resulted in the Group's deferred tax liabilities being decreased by HK$110,257,000 and HK$155,062,000 as at 1 April 2010 and 31 March 2011, respectively, with the corresponding adjustment being recognised in retained profits. In addition, the application has resulted in the Group's taxation decreased by HK$44,805,000 and profit for the year ended 31 March 2011 being increased by HK$44,805,000 respectively.

In the current year, no deferred tax has been provided for in respect of changes in fair value of such investment properties, whereas previously deferred tax liabilities were provided for in relation to the changes in fair value of such investment properties. The application of the amendments has resulted in the Group's income tax expense for the year ended 31 March 2012 being reduced by HK$41,520,000, and profit for the year ended 31 March 2012 being increased by HK$41,520,000.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

Amendments to HKAS 12 "Income Taxes" (applied in advance of their effective date) (Continued)

The effect of the application of amendments to HKAS 12 on the results for the current and prior periods presented in the consolidated statement of comprehensive income is as follows:

	2012	2011
	HK$'000	*HK$'000*
Decrease in taxation of the Group and increase in profit for the year	**41,520**	44,805

	2012	2011
	HK$	*HK$*
Impact on basic earnings per share:		
Basic earnings per share before adjustment	**1.98**	2.33
Adjustment in relation to application of amendments to HKAS 12 in respect of deferred tax on investment properties	**0.31**	0.33
Reported/restated basic earnings per share	**2.29**	2.66

The effect of the application of amendments to HKAS 12 on the financial positions of the Group as at 31 March 2011 and 1 April 2010 are as follows:

	31.3.2011 (originally stated)	Adjustments	31.3.2011 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Effects on net assets:			
Deferred tax liabilities	197,863	(155,062)	42,801
Effects on equity:			
Retained profits	1,540,533	155,062	1,695,595

	1.4.2010 (originally stated)	Adjustments	1.4.2010 (restated)
	HK$'000	*HK$'000*	*HK$'000*
Effects on net assets:			
Deferred tax liabilities	150,423	(110,257)	40,166
Effects on equity:			
Retained profits	1,273,034	110,257	1,383,291

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

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

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009-2011 Cycle[2]
Amendments to HKFRS 7	Disclosures – Transfer of Financial Assets[1]
Amendments to HKFRS 7	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRS 9 and HKFRS 7	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[5]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2013
[3] Effective for annual periods beginning on or after 1 January 2015
[4] Effective for annual periods beginning on or after 1 July 2012
[5] Effective for annual periods beginning on or after 1 January 2014

HKFRS 9 "Financial Instruments"

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKAS 9 are described as follows:

- HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS/CHANGES IN ACCOUNTING POLICIES (Continued)

HKFRS 9 "Financial Instruments" (Continued)

- The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the presentation of changes in the fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that HKFRS 9 will be adopted in the consolidated financial statements for the annual period beginning on 1 April 2015. Based on an analysis of the financial instruments of the Group and the Company as at 31 March 2012, the adoption of HKFRS 9 may affect the classification and/or measurement of the Group's and Company's financial assets but not on the Group's and the Company's financial liabilities.

HKFRS 13 "Fair Value Measurement"

HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of HKFRS 13 is broad; it applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in HKFRS 13 are more extensive than those in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under HKFRS 7 "Financial Instruments: Disclosures" will be extended by HKFRS 13 to cover all assets and liabilities within its scope.

HKFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company anticipate that HKFRS 13 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2013 and that the application of the new standard may affect the measurement of the fair value reported in the consolidated financial statements and will result in more extensive disclosures in the consolidated financial statements.

For other new and revised HKFRSs, the directors of the Company anticipate that their application will have no material impact on the results and the financial position of the Group and the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange. The significant accounting policies adopted are below:

Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 March 2012 comprise the Company and its subsidiaries.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The estimates with a significant risk of material adjustment in the next financial year are discussed in note 32.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised profits but only to the extent that there is no evidence of impairment.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

The accounting policy for income from investment properties is described in the paragraph headed by “Leasing” below.

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

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount on initial recognition.

Dividend income from investments is recognised when the shareholders’ rights to receive payment have been established.

Investment properties

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

On initial recognition, investment properties are measured at cost including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

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

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

Property, plant and equipment

Property, plant and equipment are carried at cost or fair value upon the transfer from investment property less subsequent accumulated depreciation and accumulated impairment loss, if any.

Depreciation is recognised so as to write off the cost of the items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

If an item of investment property becomes property, plant and equipment because its use has changed as evidenced by the commencement of owner-occupation, the fair value of the property at the date of transfer is treated as the deemed cost for subsequent accounting in accordance with the Group’s accounting policy on property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of tangible assets and investments in subsidiaries

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

Financial instruments

Financial assets and financial liabilities are recognised in the Company's and consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's and the Company's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables, held-to-maturity investment and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

Interest income is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at FVTPL represent financial assets held for trading. A financial asset is classified as held for trading if:

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, amounts due from subsidiaries, bank and other deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Held-to-maturity investment

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investment is measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter into bankruptcy or financial re-organisation.

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

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

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

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

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

Equity instruments

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

Financial liabilities

Financial liabilities (including other payables and amounts due to subsidiaries) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Derecognition

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (that is the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's and the Company'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 Company's and consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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 and the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model in accordance with HKAS 40 "Investment Property", such properties' value are presumed to be recovered through sale. Such a presumption is rebutted when the investment property is depreciable and is held within a business model of the Group or the Company whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

Leasing

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

The Group as lessor

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

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease, and except for those that are classified and accounted for as investment properties under the fair value model. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. Where the leasehold land of the Group qualifies for finance lease classification, it is classified as property, plant and equipment.

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to the Mandatory Provident Fund Scheme and the cost of non-monetary benefits are recognised as an expense when employees have rendered service entitling them to the contributions.

4. TURNOVER

Turnover represents the following revenue recognised during the year:

	2012	2011
	HK$'000	*HK$'000*
Income from godown operations	**31,150**	22,262
Income from property investment	**76,222**	68,480
Dividend income from listed investments	**2,656**	3,984
Bank interest income	**1,288**	888
Other interest income	**625**	–
	111,941	95,614

5. SEGMENT INFORMATION

Information analysed on the basis of the operation of the Group's businesses, including godown operations, property investment and treasury investment, is reported to the chief operating decision maker, Chairman of the Company, for the purposes of resources allocation and performance assessment of each operating segments. The Group's operating and reportable segments under HKFRS 8 "Operating Segments" are therefore as follows:

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

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

For the year ended 31 March 2012

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover						
External revenue	31,150	76,222	4,569	111,941	–	111,941
Inter-segment revenue	–	4,237	–	4,237	(4,237)	–
Total	31,150	80,459	4,569	116,178	(4,237)	111,941

Inter-segment revenue is charged based on market/concessionary rates.

Segment result	16,615	54,666	3,891	75,172	–	75,172
Increase in fair value of investment properties						251,635
Other administrative costs						(5,262)
Profit before taxation						321,545

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	119,659	1,779,867	194,429	2,093,955
Bank balances and cash				81,620
Unallocated other assets				492
Consolidated total assets				2,176,067
Liabilities				
Segment liabilities	7,522	24,931	–	32,453
Deferred tax liabilities				45,935
Unallocated other liabilities				3,820
Consolidated total liabilities				82,208

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2012 (Continued)

	Godown operations *HK$'000*	**Property investment** *HK$'000*	**Treasury investment** *HK$'000*	**Segment/ consolidated total** *HK$'000*
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	**419**	**1,427**	**–**	**1,846**
Depreciation of property, plant and equipment	**8,017**	**14**	**–**	**8,031**
Impairment loss on other receivables	**–**	**1,810**	**–**	**1,810**
Fair value loss on investments held for trading	**–**	**–**	**967**	**967**
Provision for long service payments	**328**	**(46)**	**–**	**282**

For the year ended 31 March 2011

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover						
External revenue	22,262	68,480	4,872	95,614	–	95,614
Inter-segment revenue	–	4,237	–	4,237	(4,237)	–
Total	22,262	72,717	4,872	99,851	(4,237)	95,614

Inter-segment revenue is charged based on market/concessionary rates.

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Segment total *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment result	7,738	52,167	45,430	105,335	–	105,335
Increase in fair value of investment properties						275,540
Other administrative costs						(5,958)
Profit before taxation						374,917

5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2011 (Continued)

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	127,099	1,544,265	342,709	2,014,073
Bank balances and cash				20,678
Unallocated other assets				1,970
Consolidated total assets				2,036,721
Liabilities				
Segment liabilities	7,613	25,343	11	32,967
Deferred tax liabilities				42,801
Unallocated other liabilities				6,453
Consolidated total liabilities				82,221

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Segment/ consolidated total *HK$'000*
Other information				
Amounts included in the measure of segment profit or loss or segment assets:				
Capital expenditure	106,907*	178	–	107,085
Gain on disposal of property, plant and equipment	140	–	–	140
Depreciation of property, plant and equipment	3,001	24	–	3,025
Impairment loss on trade receivables	–	148	–	148
Fair value gain on investments held for trading	–	–	33,100	33,100
Provision for long service payments	471	70	–	541

* Included capital expenditure of HK$105,800,000 representing the transfer of an investment property from property investment segment to property, plant and equipment in godown operations segment during the year ended 31 March 2011.

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3. Segment profit/loss represents the profit earned/loss incurred by each segment without allocation of increase in fair value of investment properties, other administrative costs, which include directors' fees, other expenses that are not directly related to the core business. This is the measure reported to the chief operating decision maker, Chairman of the Company, 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 tax recoverable; and
- all liabilities are allocated to operating segments other than the Group's corporate liabilities, tax payable and deferred tax liabilities.

5. SEGMENT INFORMATION (Continued)

Information about major customers

The aggregate sales attributable to the Group's five largest customers accounted for 31% (2011: 30%) of the Group's total turnover. The sales attributed by each of these five largest customers are less than 10% of the Group's total revenue for both years.

Revenue from major services and investments

Analysis of the Group's revenue from its major services and investments are set out in note 4.

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

6. DIRECTORS' EMOLUMENTS

The emoluments paid or payable during the year to each of the nine (2011: nine) directors were as follows:

Name of directors	Lu Sin	Lui Chi Lung	Lu Wing Yee, Wayne	Oen Min Tjin	Lu Yong Lee	Lee Ka Sze, Carmelo	Gan Khai Choon	Lam Ming Leung	Leung Man Chiu, Lawrence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2012										
Fees	**63**	**20**	**33**	**36**	**16**	**173**	**151**	**173**	**171**	**836**
Other emoluments										
Salaries and other benefits	**2,119**	**2,466**[1]	**383**[2]	**750**	**–**	**–**	**–**	**–**	**–**	**5,718**
Retirement benefits scheme contributions	**–**	**20**	**12**	**–**	**–**	**–**	**–**	**–**	**–**	**32**
Total emoluments	**2,182**	**2,506**	**428**	**786**	**16**	**173**	**151**	**173**	**171**	**6,586**
2011										
Fees	60	18	30	23	20	153	133	153	153	743
Other emoluments										
Salaries and other benefits	2,124	1,175	1,107	789	–	–	–	–	–	5,195
Retirement benefits scheme contributions	–	24	12	–	–	–	–	–	–	36
Total emoluments	2,184	1,217	1,149	812	20	153	133	153	153	5,974

Notes: 1. HK$1,476,000 of the salaries and benefits represents bonus paid to Mr. Lui Chi Lung due to his retirement.

2. Mr. Lu Wing Yee, Wayne has been taking sick leave since October 2011 and has voluntarily agreed to have payment of his salaries suspended, other than that, no directors waived any emoluments during the years ended 31 March 2012 and 2011.

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2011: four) were executive directors of the Company whose emoluments are included in note 6 above. The emoluments of the remaining two (2011: one) individual(s) were as follows:

	2012	2011
	HK$'000	*HK$'000*
Salaries and other benefits	**977**	504
Retirement benefits scheme contributions	**24**	12
	1,001	516

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

8. PROFIT BEFORE TAXATION

	2012	2011
	HK$'000	*HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration		
– audit service	**751**	754
– non-audit services	**235**	229
Impairment loss recognised on other receivables (included in other expenses)	**1,810**	–
(Reversal of) impairment loss recognised on trade receivables (included in other expenses)	**(148)**	148
and after crediting:		
Gross rental income from investment properties	**76,222**	68,480
Less: direct operating expenses for investment properties that generated rental income during the year	**(3,970)**	(4,102)
Net rental income	**72,252**	64,378
Dividend income from listed securities		
– available-for-sale investments	**701**	701
– investments held for trading	**1,955**	3,283
Bank interest income	**1,288**	888
Interest income from held-to-maturity investment	**532**	–
Other interest income	**93**	–
Exchange gain, net (included in other income and gains)	**956**	8,578
Gain on disposal of property, plant and equipment (included in other income and gains)	**–**	140

9. TAXATION

	2012	2011
	HK$'000	*HK$'000*
		(restated)
The charge comprises:		
Hong Kong Profits Tax		
Current year	**9,355**	12,702
Underprovision in prior years	**129**	26
	9,484	12,728
Deferred taxation *(note 25)*		
Current year	**3,134**	2,635
	12,618	15,363

Hong Kong Profits Tax is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

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

	2012	2011
	HK$'000	*HK$'000*
		(restated)
Profit before taxation	**321,545**	374,917
Tax at the domestic income tax rate of 16.5%	**53,055**	61,861
Tax effect of expenses not deductible for tax purpose	**1,571**	281
Tax effect of income not taxable for tax purpose	**(42,247)**	(45,829)
Tax effect of tax losses not recognised	**122**	–
Tax effect of utilisation of deductible temporary differences previously not recognised	**–**	(691)
Tax effect of utilisation of tax losses previously not recognised	**(12)**	(224)
Underprovision in prior years	**129**	26
Others	**–**	(61)
Tax charge for the year	**12,618**	15,363

10. DIVIDENDS

	2012	2011
	HK$'000	*HK$'000*
Interim dividend paid in respect of 2012 – HK7 cents (2011: HK7 cents) per ordinary share	**9,450**	9,450
Special dividend paid in respect of 2012 – HK93 cents (2011: HK3 cents) per ordinary share	**125,550**	4,050
Final dividend paid in respect of 2011 – HK7 cents (2010: HK7 cents) per ordinary share	**9,450**	9,450
Special dividend paid in respect of 2011 – HK12 cents (2010: HK18 cents) per ordinary share	**16,200**	24,300
	160,650	47,250

Dividend proposed:

Final dividend – HK7 cents (2011: HK7 cents) per ordinary share	**9,450**	9,450
Special dividend – HK12 cents (2011: HK12 cents) per ordinary share	**16,200**	16,200

A final dividend of HK7 cents per share, amounting to HK$9,450,000 and a special dividend of HK12 cents per share, amounting to HK$16,200,000 for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK$308,927,000 (2011: HK$359,554,000) and on 135,000,000 shares in issue throughout both years.

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

12. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
AT FAIR VALUE	
At 1 April 2010	1,369,375
Additions	139
Transfer to property, plant and equipment	(105,800)
Increase in fair value	275,540
At 31 March 2011	1,539,254
Additions	1,427
Disposals	(16,496)
Increase in fair value	251,635
At 31 March 2012	1,775,820

12. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's major investment properties at 31 March 2012 amounting to HK$1,766,000,000 (2011: HK$1,515,900,000) have been arrived at on the basis of valuations carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carried out the valuation, are members of the Hong Kong Institute of Surveyors. The valuations were arrived 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.

The fair values of the Group's investment properties as at 31 March 2012 amounting to HK$9,820,000 (2011: HK$23,354,000) have been determined by the directors of the Company. No valuation has been performed by independent qualified professional valuers. The valuation performed by the directors of the Company was 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.

The revaluation gave rise to a gain arising from changes in fair value of HK$251,635,000 (2011: HK$275,540,000) which has been included in the consolidated statement of comprehensive income.

During the year ended 31 March 2011, 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 values at the dates of transfers of HK$105,800,000 had been arrived at on the basis of valuations carried out by A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties.

All the investment properties of the Group are rented out under operating leases.

The carrying amount of investment properties comprises properties on leasehold land in Hong Kong as follows:

	31.3.2012	31.3.2011	1.4.2010
	HK$'000	*HK$'000*	*HK$'000*
Long leases	**445,500**	373,000	312,000
Medium-term leases	**1,330,320**	1,166,254	1,057,375
	1,775,820	1,539,254	1,369,375

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases HK$'000	Godown premises in Hong Kong held under medium-term leases HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP					
COST					
At 1 April 2010	39,580	30,582	19,047	2,313	91,522
Additions	–	–	725	421	1,146
Transfer from investment properties	–	105,800	–	–	105,800
Disposal/write off	(220)	–	(89)	(333)	(642)
At 31 March 2011	39,360	136,382	19,683	2,401	197,826
Additions	–	–	419	–	419
At 31 March 2012	39,360	136,382	20,102	2,401	198,245
DEPRECIATION					
At 1 April 2010	26,938	25,817	18,240	2,222	73,217
Provided for the year	1,202	1,130	541	152	3,025
Eliminated on disposal/write off	–	–	(89)	(333)	(422)
At 31 March 2011	28,140	26,947	18,692	2,041	75,820
Provided for the year	268	7,049	562	152	8,031
At 31 March 2012	28,408	33,996	19,254	2,193	83,851
CARRYING VALUES					
At 31 March 2012	10,952	102,386	848	208	114,394
At 31 March 2011	11,220	109,435	991	360	122,006
At 1 April 2010	12,642	4,765	807	91	18,305

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1 April 2010	4,694	333	5,027
Additions	301	421	722
Write off	(55)	(333)	(388)
At 31 March 2011	4,940	421	5,361
Additions	413	–	413
At 31 March 2012	5,353	421	5,774
DEPRECIATION			
At 1 April 2010	3,959	333	4,292
Provided for the year	358	105	463
Eliminated on write off	(55)	(333)	(388)
At 31 March 2011	4,262	105	4,367
Provided for the year	413	105	518
At 31 March 2012	4,675	210	4,885
CARRYING VALUES			
At 31 March 2012	678	211	889
At 31 March 2011	678	316	994

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

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

At 31 March 2012, the cost of fully depreciated property, plant and equipment of the Group and the Company that is still in use amounted to HK$19,205,000 (2011: HK$19,564,000) and HK$3,754,000 (2011: HK$3,700,000) respectively.

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	31.3.2012	31.3.2011
	HK$'000	*HK$'000*
Unlisted shares, at cost	**31,780**	31,780
Less: Impairment loss recognised	**(1,749)**	(1,749)
	30,031	30,031

Details of the principal subsidiaries at 31 March 2012 and 31 March 2011 are set out in note 33.

15. AMOUNTS DUE FROM SUBSIDIARIES

Except for the amounts of HK$516,248,000 (2011: HK$557,627,000) which bear interest at a fixed rate of 1.5% (2011: 1.5%) per annum and HK$nil (2011: HK$4,180,000) at prime rate per annum, respectively, the remaining amounts are unsecured and interest-free.

At 31 March 2012, the management determines that the amounts due from subsidiaries of HK$514,621,000 (2011: HK$557,627,000) will not be repayable within one year and, accordingly, the amounts are shown as non-current. The remaining balances are repayable on demand and expected to be recovered within 12 months from the end of the reporting period.

Movement in the allowance of amounts due from subsidiaries

	THE COMPANY	
	31.3.2012	31.3.2011
	HK$'000	*HK$'000*
At beginning of the year	**9,621**	22,439
Amounts recovered	**–**	(8,100)
Amounts written off as uncollectible	**–**	(4,718)
At end of the year	**9,621**	9,621

16. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	**22,932**	31,850	24,652	**22,932**	31,850

17. HELD-TO-MATURITY INVESTMENT

At 31 March 2012, the Group held an unsecured senior note denominated in Australian dollar with principal amounts of Australian dollar 1,000,000, equivalent to approximately HK$8,156,000 (2011: nil) issued by a financial institution, which bears fixed interest at the rate of 7.75% per annum receivable semi-annually. The note is traded on 23 May 2011 and will mature on 23 November 2016.

The directors consider that the carrying amount of the note as at 31 March 2012 approximate to its fair value.

18. INVESTMENTS HELD FOR TRADING

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	**74,484**	145,123	61,518	**7,658**	8,246

19. TRADE AND OTHER RECEIVABLES

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**5,299**	4,454	3,186	**3,223**	2,599
Less: allowance for doubtful debts	**(18)**	(166)	(75)	**–**	–
	5,281	4,288	3,111	**3,223**	2,599
Other receivables	**1,120**	3,724	3,696	**–**	–
Prepayments and deposits	**3,294**	2,451	2,172	**482**	876
	9,695	10,463	8,979	**3,705**	3,475

The aged analyses of trade customers of the Group and the Company presented based on the billing date are as follows:

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Within 60 days	**4,663**	3,940	2,823	**2,731**	2,461
61 – 90 days	**614**	195	285	**488**	119
Over 90 days	**4**	153	3	**4**	19
	5,281	4,288	3,111	**3,223**	2,599

The Group and the Company have a policy of allowing credit period of 60 days to its customers in respect of godown operations and 30 days for tenants. Usually, the Group issues billing in advance to its customers in respect of the property rental business.

19. TRADE AND OTHER RECEIVABLES (Continued)

The Group and the Company have the rights to charge godown business customers and tenants for interest on overdue balance on receivables, as stipulated in account opening agreement, godown warrant and lease agreement. During the year, HK$93,000 interest income was charged on overdue outstanding balance of a tenant in respect of the property investment business. No interest was charged on the trade customers on the overdue balances during the year ended 31 March 2011. Allowances for doubtful debts are made based on estimated irrecoverable amounts, determined by reference to the age of the debts, customers' current ability to pay, and the economic environment in which the customers operate.

Before accepting any new customer, the Group will assess the potential customer's credit quality. Credit limits allowed to customers are reviewed once a year.

Included in the Group's and the Company's trade receivables balance are debtors with an aggregate carrying amount of HK$618,000 (2011: HK$348,000) and HK$492,000 (2011: HK$138,000) respectively and which are past due by 1 to 60 days at the reporting date for which the Group and the Company have not provided for impairment loss. 2 to 3 months deposits are required from tenants as security for their performance under the tenancy agreements. The Group and the Company do not hold any collateral from its other customers.

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

Movement in the allowance of doubtful debts

	THE GROUP	
	31.3.2012	31.3.2011
	HK$'000	HK$'000
At beginning of the year	**166**	75
Impairment loss recognised	**–**	148
Amounts written off as uncollectible	**–**	(57)
Amount recovered	**(148)**	–
At end of the year	**18**	166

20. BANK AND OTHER DEPOSITS

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Bank deposits	**43,396**	91,695	152,703	**20,146**	71,220
Deposits with security brokers	**45,078**	73,687	4,029	**–**	–
	88,474	165,382	156,732	**20,146**	71,220

The bank deposits are designated for treasury investment purpose.

Bank deposits and deposits with security brokers are carrying varying interest rates ranging from 0.01% to 4.23% (2011: 0.01% to 3.89%) per annum.

20. BANK AND OTHER DEPOSITS (Continued)

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

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Bank deposits denominated in:					
Japanese Yen	**–**	–	62,468	**–**	–
Australian dollar	**23,563**	41,551	–	**–**	21,076
United States dollar	**776**	778	777	**–**	–

21. OTHER PAYABLES

Other payables of the Group and the Company are shown as follows:

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Tenants' deposits	**22,994**	22,009	20,624	**–**	–
Deferred income	**2,424**	2,593	2,092	**1,668**	1,944
Others	**6,955**	7,699	6,976	**4,585**	4,433
	32,373	32,301	29,692	**6,253**	6,377

22. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and repayable on demand.

23. SHARE CAPITAL

	Number of shares	**HK$'000**
Ordinary shares of HK$1 each		
Authorised:		
At beginning and at end of the year 2011 and 2012	200,000,000	200,000
Issued and fully paid:		
At beginning and at end of the year 2011 and 2012	135,000,000	135,000

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

24. SHARE PREMIUM AND RESERVES

	Share premium *HK$'000*	Investment revaluation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
THE COMPANY				
At 1 April 2010	43,216	9,875	707,315	760,406
Fair value gains of available-for-sale investments	–	7,198	–	7,198
Profit for the year	–	–	54,707	54,707
Total comprehensive income for the year	–	7,198	54,707	61,905
Dividends paid *(note 10)*	–	–	(47,250)	(47,250)
At 31 March 2011	43,216	17,073	714,772	775,061
Fair value loss of available-for-sale investments	–	(8,918)	–	(8,918)
Profit for the year	–	–	10,543	10,543
Total comprehensive (loss) income for the year	–	(8,918)	10,543	1,625
Dividends paid *(note 10)*	–	–	(160,650)	(160,650)
At 31 March 2012	43,216	8,155	564,665	616,036

At the end of the reporting period, the Company's reserves available for distribution to owners amounted to HK$423,552,000 (2011: HK$573,659,000) which is analysed as follows:

	31.3.2012 ***HK$'000***	31.3.2011 *HK$'000*
The Company's retained profits as stated above	**564,665**	714,772
Less: profit on transfer of property to a subsidiary	**(141,113)**	(141,113)
	423,552	573,659

25. DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation *HK$'000*	Tax losses *HK$'000*	Total *HK$'000*
At 1 April 2010 (restated)	40,166	–	40,166
Charge (credit) to profit or loss	2,859	(224)	2,635
At 31 March 2011 (restated)	43,025	(224)	42,801
Charge (credit) to profit or loss	3,146	(12)	3,134
At 31 March 2012	46,171	(236)	45,935

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 2012, the Group has unused tax losses of HK$10,492,000 (31 March 2011: HK$9,759,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK$1,431,000 (2011: HK$1,358,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$9,061,000 (2011: HK$8,401,000) due to the unpredictability of future profit streams.

The Company did not have any other significant unprovided deferred taxation arising during the year or at the end of the reporting period.

26. 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:

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Balance brought forward	**2,551**	2,357	2,298	**1,200**	1,175
Additional provision	**282**	541	920	**154**	164
Utilisation during the year	**(592)**	(347)	(861)	**(138)**	(139)
Balance carried forward	**2,241**	2,551	2,357	**1,216**	1,200

26. PROVISION FOR LONG SERVICE PAYMENTS (Continued)

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$461,000 (2011: HK$475,000).

27. PLEDGE OF ASSETS

At 31 March 2012, the Group has pledged a leasehold property with a carrying value of HK$102,386,000 (2011: HK$109,433,000) to a bank to secure a general banking facility to the extent of HK$69,000,000 (2011: HK$69,000,000) granted to the Group. At 31 March 2011 and 31 March 2012, this facility was not utilised by the Group.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

Property rental income earned during the year was HK$76,222,000 (2011: HK$68,480,000). The properties held have committed tenants for terms ranging from six months to three years.

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

	THE GROUP	
	31.3.2012	31.3.2011
	HK$'000	*HK$'000*
Within one year	**63,332**	57,426
In the second to fifth year inclusive	**54,177**	52,155
	117,509	109,581

At the end of the reporting period, the Company as lessee did not have any significant operating lease commitment.

29. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company received a reimbursement of expenses amounting to HK$240,000 (2011: HK$240,000) from a company in which a director of the Company has a beneficial interest and is able to exercise significant influence. 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.

The key management personnel of the Group are all directors. Details of their remuneration are disclosed in note 6. The remuneration of directors is determined by the Remuneration and Nomination Committee and/or the board of directors, 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 and notes 15 and 22.

30. 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 stakeholders 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 cash and cash equivalents and equity of the Company, comprising issued share capital, retained profits and other reserves.

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

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets					
Loans and receivables	**176,495**	194,072	232,336	**718,578**	849,073
Available-for-sale investments	**22,932**	31,850	24,652	**22,932**	31,850
Investments held for trading	**74,484**	145,123	61,518	**7,658**	8,246
Held-to-maturity investment	**8,156**	–	–	**–**	–

	THE GROUP			THE COMPANY	
	31.3.2012	31.3.2011	1.4.2010	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities at amortised cost	**28,407**	26,964	25,518	**27,066**	7,227

b. Financial risk management objectives and policies

The directors of the Company have overall responsibility for the establishment and oversight of the Group's and the Company's risk management framework. The Group's and the Company's risk management policies are established to identify and analyse the risks that may be faced by the Group and the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Group's and the Company's activities. The Group and the Company, through its training and management standards and procedures, has developed a disciplined and constructive control environment in which all employees understand their roles and obligations.

Details of the financial instruments are disclosed in the respective notes and the risks associated with these financial instruments and the policies on how to mitigate these risks are set out below.

There has been no change to the Group's and the Company's exposure to risks or the manner in which it manages and measures such risks.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Foreign currency risk

Certain bank deposits and held-to-maturity investment of the Group and the Company are denominated in foreign currencies, and therefore the Group and the Company are exposed to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise. The carrying amounts of the Group's and the Company's foreign currency denominated monetary assets at the reporting date are as follows:

	THE GROUP		THE COMPANY	
	31.3.2012	31.3.2011	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollar	**31,719**	41,551	**–**	21,076
United States dollar	**776**	778	**–**	–

The Hong Kong dollar is pegged to United States dollar and the management is of the opinion that the foreign exchange risk of the bank deposits denominated in United States dollar is insignificant.

The following table details the Group's and the Company's sensitivity to a 5% (2011: 5%) rate increase or decrease in Hong Kong dollar against the Australian dollar. 5% (2011: 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% (2011: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollar weakened 5% (2011: 5%) against the relevant currencies. For a 5% (2011: 5%) strengthening of Hong Kong dollar against the relevant currencies, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	THE GROUP		THE COMPANY	
	31.3.2012	31.3.2011	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollar	**1,324**	1,735	**–**	880

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

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk

The Group's and the Company's cash flow interest rate risk relates primarily to bank deposits and amount due from a subsidiary with interest at variable rate. The Group and the Company is also exposed to fair value interest rate risk in relation to amounts due from subsidiaries with interest at fixed rate and held-to-maturity investment.

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

In view of the current low-interest rate environment, the management is of the opinion that the interest rate risk on bank deposits and amount due from a subsidiary is insignificant.

(iii) Price risk

The Group and the Company are exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles. The Group's and the Company's equity price risks are mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Company has assigned a special team of personnel to monitor the prices of the investments and will consider hedging the risk exposure should the need arise.

The sensitivity analysis below is prepared assuming the amount of investments outstanding at the end of the reporting period was outstanding for the whole year and have been determined based on the exposure to equity price on investments at the reporting date. 10% (2011: 10%) is the sensitivity rate used which represents management's assessment of a reasonably possible change in equity price on investments.

If the prices of the investments held-for-trading had been 10% (2011: 10%) higher/lower:

- the Group's profit for the year ended 31 March 2012 would increase/decrease by HK$6,219,000 (2011: HK$12,118,000) as a result of the changes in fair value of investments held-for-trading; and
- the Company's profit for the year ended 31 March 2012 would increase/decrease by HK$639,000 (2011: HK$689,000) as a result of the changes in fair value of investments held-for-trading.

If the prices of the available-for-sale investments had been 10% (2011: 10%) higher/lower, the Group's and the Company's investment revaluation reserve would increase/decrease by HK$2,293,000 (2011: HK$3,185,000) as a result of the changes in fair value of available-for-sale investments.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk

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

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2012 in relation to each class of recognised financial assets is the carrying amount of those assets in the Company's and consolidated statements of financial position. The Group's and the Company's credit risk is primarily attributable to its held-to-maturity investment, bank and other deposits, bank balances, trade and other receivables and amounts due from subsidiaries. The amounts carried in the Company's and consolidated statements of financial position are net of allowances for doubtful receivables estimated by management based on the age of the debts, their knowledge of customers' credit-worthiness and current ability to pay, management's prior experience and their assessment of the current economic environment in which the customers operate. The management reviews the recoverable amounts of significant trade receivables and amounts due from subsidiaries regularly to ensure that adequate allowances for doubtful recovery are recognised if considered appropriate. The Group and the Company do not have any concentration of credit risk in their trade receivables as there is a large number of customers. In addition, the Company has a concentration of credit risk representing amounts due from a few subsidiaries which have sound financial positions and deposits with two security brokers.

The credit risk on the Group's and the Company's bank and other deposits is limited because the counterparties have high credit ratings.

Liquidity risk

The ultimate responsibility for liquidity risk management rests with the directors of the Company, who have built an appropriate liquidity risk management framework for the management of the Group's and the Company's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate working capital, available banking facilities and will continuously monitor the forecast and actual cash flows.

The following tables detail the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	Non-interest-bearing			
	THE GROUP		**THE COMPANY**	
	31.3.2012	31.3.2011	**31.3.2012**	31.3.2011
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year or on demand	**28,407**	26,964	**27,066**	7,227
Total undiscounted cash flows	**28,407**	26,964	**27,066**	7,227
Carrying amounts	**28,407**	26,964	**27,066**	7,227

31. FINANCIAL INSTRUMENTS (Continued)

c. Fair values

The fair values of financial assets and liabilities are determined as follows:

- The fair values of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices.

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

Fair value measurements recognised in the Company's and consolidated statements of financial position

Financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All of the Group's and the Company's financial instruments that are measured subsequent to initial recognition at fair value, including listed equity securities which are classified as available-for-sale investments and investments held for trading are grouped under Level 1 fair value measurement.

There were no transfers between Level 1 and Level 2 in the current and prior year.

32. CRITICAL ACCOUNTING ESTIMATES

Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The estimates and assumptions that can significantly affect the amounts recognised in the consolidated financial statements are disclosed below.

Key sources of estimation uncertainty

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$1,775,820,000 (2011: HK$1,539,254,000) based on the valuation performed by independent qualified professional valuers and the directors of the Company. In determining the fair value, the valuers employ a market value basis which involves, inter-alia, certain estimates, including comparable market transactions and estimates of future rental income from properties using current market rentals and yields as inputs. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in the profit or loss.

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

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment with a carrying amount of HK$114,394,000 (2011: HK$122,006,000). This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c. *Estimated provision for impairment of trade and other receivables*

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade receivables with a carrying amount of HK$5,281,000 (2011: HK$4,288,000). Provisions are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible/ recoverable. The identification of doubtful debts requires the use of estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2012 and 31 March 2011 are as follows:

Name of company	Place of incorporation/ registration	Paid-up capital	Proportion of nominal value of issued capital held by the Company 2012	2011	Principal activities
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%	Holding and operating godown, and property investment
Gaylake Limited	Hong Kong	HK$1,000 Ordinary shares	**100%**	100%	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
Good Ready Investment Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Property investment
Rich China Development Limited	Hong Kong	HK$2 Ordinary shares	**100%**	100%	Securities trading

Notes:

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

2. All the subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

Particulars of Major Properties

Particulars of major properties which were held by the Group at 31 March 2012 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq.ft.*	Type
The whole of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	421,000	Industrial/godown premises
The whole of Chivas Godown (except 1/F to 7/F) 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	121,500	Godown premises

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq.ft.*	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000 and 101 car-parking spaces	Industrial/office
1/F to 7/F of Chivas Godown 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	318,500	Godown premises

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