



Annual Report  
年報 2014

安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

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# Corporate Information

## DIRECTORS

### Executive Directors

Mr. Lu Sin (*Chairman and Managing Director*)  
Mr. Lu Wing Yee, Wayne  
Mr. Oen Min Tjin

### Non-executive Directors

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  
Industrial and Commercial Bank of China (Asia) Limited

## SOLICITORS

Woo, Kwan, Lee & Lo

## AUDITORS

Deloitte Touche Tohmatsu

## KEY DATES

|   |   |
|---|---|
| Final Results Announcement                          | 26 June 2014  |
| Annual General Meeting                              | 13 August 2014  |
| Closure of Register of Members                      | i) 11 to 13 August 2014 (both days inclusive)<br>ii) 20 to 22 August 2014 (both days inclusive) |
| Record Date for Final Dividend and Special Dividend | 22 August 2014  |
| Payment of Final Dividend and Special Dividend      | on or around 5 September 2014   |

## AUDIT COMMITTEE

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

## REMUNERATION AND NOMINATION COMMITTEE

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

## 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  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## WEBSITE

<http://www.safetygodown.com>

## STOCK CODE

237

# Biographical Information of Directors and Senior Management

## EXECUTIVE DIRECTORS

**Mr. Lu Sin**, aged 95, 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 extensive 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 77, 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 40, 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**, JP, aged 54, 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 CSPC Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited and Hopewell Holdings Limited. Mr. Lee is also an Independent Non-executive Director of several listed public companies in Hong Kong, namely KWG Property Holding Limited, Ping An Insurance (Group) Company of China, Ltd. and Esprit Holdings Limited. Mr. Lee is also the Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited, a member of the SFC (HKEC Listing) Committee, a member of the SFC Dual Filing Advisory Group, and a member of the Disciplinary Panel of the Hong Kong Institute of Certified Public Accountants.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Gan Khai Choon**, aged 68, 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 62, 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 66, 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.

## ASSISTANT GENERAL MANAGER

**Mr. Huang Huei Ru**, aged 65, was appointed as an Assistant General Manager of the Company on 1 March 2013. Mr. Huang joined the Group since 1976 and was Chivas Godown Supervisor since 1991.

# Five Year Financial Summary

|  | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2012<br>HK\$'000 | 2011<br>HK\$'000 | 2010<br>HK\$'000 |
|--|------------------|------------------|------------------|------------------|------------------|
| <b>Consolidated Statement of Profit or Loss<br/>and Other Comprehensive Income</b> |                  |                  |                  |                  |                  |
| Turnover   |                  |                  |                  |                  |                  |
| Godown operations  | 38,560           | 32,752           | 31,150           | 22,262           | 17,996           |
| Property investment  | 96,280           | 84,030           | 76,222           | 68,480           | 76,227           |
| Treasury investment  | 4,316            | 2,976            | 4,569            | 4,872            | 883              |
|  | <u>139,156</u>   | <u>119,758</u>   | <u>111,941</u>   | <u>95,614</u>    | <u>95,106</u>    |
| <b>Profit attributable to owners<br/>of the Company</b>                            |                  |                  |                  |                  |                  |
| Godown operations  | 22,258           | 19,090           | 16,615           | 7,738            | 5,178            |
| Property investment  | 81,428           | 63,590           | 54,666           | 52,167           | 63,424           |
| Treasury investment  | (10,100)         | 6,787            | 3,891            | 45,430           | 16,359           |
| Increase in fair value of<br>investment properties                                 | 132,494          | 754,508          | 251,635          | 275,540          | 210,809          |
| Other administrative cost  | (4,585)          | (4,863)          | (5,262)          | (5,958)          | (5,236)          |
| Profit before taxation   | 221,495          | 839,112          | 321,545          | 374,917          | 290,534          |
| Taxation   | (16,838)         | (14,992)         | (12,618)         | (15,363)         | (11,916)         |
| Profit for the year attributable<br>to owners of the company                       | <u>204,657</u>   | <u>824,120</u>   | <u>308,927</u>   | <u>359,554</u>   | <u>278,618</u>   |
| <b>Consolidated Statement of<br/>Financial Position</b>                            |                  |                  |                  |                  |                  |
| Total assets   | 3,136,730        | 2,973,523        | 2,176,067        | 2,036,721        | 1,709,219        |
| Total liabilities  | (97,385)         | (92,462)         | (82,208)         | (82,221)         | (74,221)         |
| Equity attributable to owners of<br>the company                                    | <u>3,039,345</u> | <u>2,881,061</u> | <u>2,093,859</u> | <u>1,954,500</u> | <u>1,634,998</u> |
| <b>Per Share</b>   |                  |                  |                  |                  |                  |
| Earnings per share   | HK\$1.52         | HK\$6.10         | HK\$2.29         | HK\$2.66         | HK\$2.06         |
| Dividends per share  | 36 cents         | 35 cents         | HK\$1.19         | 29 cents         | 29 cents         |
| Dividend payout ratio (Note 1)   | 67.35%           | 67.88%           | 280.41%          | 46.60%           | 57.74%           |
| Net asset value per share  | HK\$22.51        | HK\$21.34        | HK\$15.51        | HK\$14.48        | HK\$12.11        |
| <b>Ratios</b>  |                  |                  |                  |                  |                  |
| Return on average shareholders funds   | 6.91%            | 33.13%           | 15.26%           | 20.03%           | 18.34%           |
| Current ratio (Note 2)   | 9.90:1           | 11.08:1          | 11.34:1          | 9.32:1           | 9.37:1           |
| Gearing ratio (Note 3)   | —                | —                | —                | —                | —                |

## Notes:

- 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.
- The current ratio for 2012 has been restated in order to conform with current year's presentation. The restatement for periods prior to 2012 has not been made because it would require undue cost as compare to the benefit derive from the information.
- 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.

# Chairman's Statement

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I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2014.

## 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 HK18 cents per share, amounting to HK\$24,300,000 for the year ended 31 March 2014, to shareholders whose names appear on the register of members on 22 August 2014 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 5 September 2014. Together with the interim dividend of HK7 cents per share and special dividend of HK4 cents per share already paid, the total distribution for the year ended 31 March 2014 will be HK36 cents per share. Total distribution for the previous year was HK35 cents per share.

## BUSINESS REVIEW

The Federal Reserve's scale back of its bond purchase and the mentioning of a schedule for increasing interest rates in the second half of 2013 was gradually clarifying the market trend. However, with rising interest rates and the increasing risk of the reversing fund flows as a result of the rumours over the Federal Reserve's exit strategy, the financial market has experienced quite a dramatic fluctuation which affected emerging markets. Meanwhile, the growth in GDP in the fourth quarter in the Mainland is lower than expected and the housing market is also slowing down. Both facts added to the market's concerns on economic downturn.

Faced with a challenging external business environment and a gloomy local housing market, Hong Kong currently depends solely on tourism to support its economic growth. Thanks to the geographically close relationship with China and the huge demand for retail goods from individual mainland visitors, the negative effects were offset and a steady growth of the godown and logistics industry was observed.

The main products the Group's godown currently managed are still paper materials and domestic goods. The short supply in local godown spaces and the robust growth in the retail industry have driven the high demand for godown spaces and thus boosted the Group's income from godown business by 18%, while rental income from investment properties also increased by 15%.

As for the performance of treasury investments, the Group suffered a net loss of around HK\$10,000,000 this year compared with the profit of around HK\$6,800,000 gained in the same period last year.

## OUTLOOK

It is anticipated that the Federal Reserve will continue to cut its bond purchases while maintaining exit strategy programmes at a moderate pace. As regards to European Union, after exercising the super easing monetary policy, extensive fiscal adjustments and structural reforms, the EU's debt crisis has been mitigated and the economy has seen signs of recovery.

China is accelerating its economic transformation during the economic slowdown and Hong Kong's godown industry is expected to see steady growth due to improved exports and increasing domestic demand.

The introduction of the demand-management property measures, Buyer's Stamp Duty and the enhanced Special Stamp Duty, has achieved their purpose. Transaction volume has gone down with property prices expected to fall by 10% and interest rate levelling off.

The application for revitalization of Lu Plaza was approved by Lands Department in May 2014 and is now at the stage of finalizing the design specification with the architects and consultants from the perspectives of environmental protection and electrical & mechanical engineering. Environmental protection and energy efficiency measures will be the focus of conversion work to meet the Buildings Department's regulations and requirements on non-industrial use buildings. After completion of the revitalization work, the value of building will be enhanced.

# Chairman's Statement

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As Lu Plaza will be upgraded to a commercial office building, it is estimated that the tenant mix may change and this may temporarily affect the leasing occupancy and rental income during the revitalization work. Nonetheless, there was still a steady positive rental reversion for renewals and new leases as a result of upward rental adjustments in the East Kowloon leasing market. In general, the Group remains cautiously optimistic on the rental growth for the building.

Although the Group is still under negotiation with potential buyers for the godown property located at Kwok Shui Road, Kwai Chung. In consideration of the good performance in godown business recently, and, if the bid fails to achieve its economic benefits, the Group may consider not to sell the property but to lease it in whole or in part after refurbishment, or even consider redeveloping the property into other use. The Group will publish appropriate announcement as soon as there is further progress.

**Lu Sin**  
*Chairman*

Hong Kong, 26 June 2014

# Management Discussion and Analysis

## REVIEW OF FINANCIAL RESULTS

The Group reported a profit for the year of HK\$204,657,000 (2013: HK\$824,120,000). Our recurring underlying profit excluding the unrealised fair value gain of investment properties amounted to HK\$72,163,000 (2013: HK\$69,612,000), an increase of 3.66% against last year. Shareholders' fund increased by 5.49% to HK\$3,039,345,000 as at 31 March 2014 (31 March 2013: HK\$2,881,061,000).

The increase in underlying profit was mainly attributed to the growth in turnover and profit in both godown and property investment sectors. The Group's turnover for the year 2014 amounted to HK\$139,156,000 (2013: HK\$119,758,000), representing a year-on-year increase of 16.20%.

### Godown operations

The overall performance of the godown business for the year 2014 was satisfactory, with its turnover grew by 17.73% to HK\$38,560,000 (2013: HK\$32,752,000). Segment profit rose by 16.60% to HK\$22,258,000 (2013: HK\$19,090,000).

The increase in profit for the year was mainly driven by the increase in godown rates and the increase in demand for godown space induced by the growth in retailing industry in Hong Kong.

### Property investment

Our property investment sector also achieved satisfactory growth during the year, with revenue grew by 14.58% to HK\$96,280,000 (2013: HK\$84,030,000). This principally reflected an increase in rental levels on tenancy renewals and new lettings. The average occupancy level of Lu Plaza stood at around 90% for the year.

The underlying profit from property investment sector, after excluding the fair value gain on investment properties, was HK\$81,428,000 (2013: HK\$63,590,000), a rise of 28.05% compare to last year. Strong performance in profit growth in property investment sector also reflected the Group's effectiveness and efficiency in managing its operations.

The fair value of the Group's investment properties as at 31 March 2014 amounted to HK\$2,667,400,000 (31 March 2013: HK\$2,534,400,000), an increase in fair value of HK\$132,494,000 (2013: HK\$754,508,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

### Treasury investment

During the year under review, local stock market performance was volatile amid global and domestic economy uncertainties. Concerns over weakened economic growth in China and the Federal Reserve tapering policies had adversely affected the stock market. The treasury sector recorded a loss of HK\$10,100,000 (2013: gain of HK\$6,787,000) in investment held for trading. Total dividend and interest income received during the year amounted to HK\$4,316,000 (2013: HK\$2,976,000), an increase of 45.03% against last year. Investment portfolio for trading as at 31 March 2014 increased to HK\$89,886,000 (31 March 2013: HK\$73,769,000).

The Group had also registered a fair value loss on available-for-sale investments in the amount of HK\$4,523,000 (2013: fair value gain of HK\$8,982,000) and was set off in the investment revaluation reserve. The Group also recorded an exchange loss of HK\$949,000 (2013: exchange gain of HK\$8,000) on a held-to-maturity investment which is denominated in Australian dollar.



# Management Discussion and Analysis

## OPERATING COSTS

Operating costs includes primarily staff costs, depreciation, repairs and maintenance and other administrative costs. Total staff cost had reduced by 8.20% to HK\$17,600,000 in current year (2013: HK\$19,171,000). No significant capital expenditure incurred during the year thus leading to stable depreciation. Other expenses included exchange loss of HK\$4,796,000 (2013: HK\$674,000). The net other expenses dropped by 13.95% to HK\$12,254,000 (2013: HK\$14,240,000), which was mainly attributed by reduced properties repairs and maintenance cost.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group continued to maintain a strong cash position. As at 31 March 2014, total cash and bank balances amounted to HK\$230,399,000 (2013: HK\$208,188,000). Recurring net cash generated from operations amounted to HK\$64,889,000 (2013: HK\$89,051,000). Current ratio as at 31 March 2014 was 9.90 times (31 March 2013: 11.08 times), while total non-current liabilities were kept a low level of HK\$63,735,000 (31 March 2013: HK\$66,211,000). The Group does not have any bank borrowing throughout the year.

The new Hong Kong Companies Ordinance, Cap. 622 which has come into effect on 3 March 2014 has abolished the par value of shares to align with international trends. Accordingly, all share premium maintained in Share Premium Accounts were transferred to Share Capital, leading to the increase in share capital by HK\$43,216,000 to HK\$178,216,000 (31 March 2013: HK\$135,000,000).

As at 31 March 2014, the shareholders' funds increased by HK\$158,284,000 to HK\$3,039,345,000 (31 March 2013: HK\$2,881,061,000) with net asset value per share rose to HK\$22.51 (31 March 2013: HK\$21.34), up 5.48%.

## DIVIDEND POLICY

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

As at 31 March 2014, the Group did not have any pledge of assets.

## EMPLOYEE

As at 31 March 2014, the Group employed 54 (31 March 2013: 61) employees. The reduction was mainly caused by retirement of aged staff. Total staff cost reduced by 8.20% to HK\$17,600,000 (2013: HK\$19,171,000). 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 on staff performance and results of the Group. The Group does not have any share option scheme for employees.

## CONTINGENT LIABILITIES

As at 31 March 2014, the Group did not have any significant contingent liabilities.

# Management Discussion and Analysis

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## CLOSURE OF REGISTER OF MEMBERS

To ascertain the shareholders' entitlement to attend and vote at the meeting, the Register of Members will be closed from Monday, 11 August 2014 to Wednesday, 13 August 2014, 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 Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Friday, 8 August 2014.

To ascertain the shareholders' entitlement to the proposed final dividend and special dividend, the Register of Members will be closed from Wednesday, 20 August 2014 to Friday, 22 August 2014, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the final dividend and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 19 August 2014.

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

**Oen Min Tjin**  
*Director*

Hong Kong, 26 June 2014

# Corporate Governance Report

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong (the “Listing Rules”). The corporate governance principles of the Company emphasize a quality board, sound internal controls, and transparency and accountability to all Shareholders.

## CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Code throughout the year ended 31 March 2014 except for the following deviations from code provisions A.2.1, A.4.1 and D.1.4.

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. Code Provision D.1.4 stipulates that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. However, the Company did not have formal letters of appointment for directors. 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 provisions.

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

## 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 2014.

## 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. An updated list of directors of the Company and their respective roles and functions have been maintained on the websites of the Company and Hong Kong Exchanges and Clearing Limited. The composition of the Board is shown below.

Of the directors, Mr. Lu Sin is the father of Mr. Lu Wing Yee, Wayne. Other than this, there is no financial, business, family and other material relationship among other members of the Board. 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.

# Corporate Governance Report

## BOARD OF DIRECTORS (Continued)

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

| Composition of the Board                             | Attended/Number of meetings held during the year |                        |
|--|--|------------------------|
|  | Board Meetings                                   | Annual General Meeting |
| <i>Executive Directors</i>                           |  |                        |
| Mr. Lu Sin ( <i>Chairman and Managing Director</i> ) | 4/4  | 1/1                    |
| Mr. Oen Min Tjin                                     | 4/4  | 1/1                    |
| Mr. Lu Wing Yee, Wayne                               | 3/4  | 0/1                    |
| <i>Non-executive Director</i>                        |  |                        |
| Mr. Lee Ka Sze, Carmelo                              | 4/4  | 0/1                    |
| <i>Independent Non-executive Directors</i>           |  |                        |
| Mr. Gan Khai Choon                                   | 4/4  | 0/1                    |
| Mr. Lam Ming Leung                                   | 4/4  | 0/1                    |
| Mr. Leung Man Chiu, Lawrence                         | 4/4  | 1/1                    |

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

Responsibilities over day-to-day operations are delegated to the management under the leadership of the Executive 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 and diversity of perspective appropriate to 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' TRAINING AND PROFESSIONAL DEVELOPMENT

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

The Company has provided funding to encourage the Directors to participate in professional development courses and seminars to develop and refresh their knowledge and skills. During the year ended 31 March 2014, regulatory updates and relevant materials on amendment of Listing Rules were sent to the Directors for their awareness of the latest development on statutory requirements.

# Corporate Governance Report

## DIRECTORS' TRAINING AND PROFESSIONAL DEVELOPMENT (Continued)

The training each Director received during the year ended 31 March 2014 is summarized as below:

| Name of Director                           | Reading materials regarding regulatory update and corporate governance matters |
|--|--|
| <i>Executive Directors</i>                 |  |
| Mr. Lu Sin                                 | √  |
| Mr. Lu Wing Yee, Wayne                     | √  |
| Mr. Oen Min Tjin                           | √  |
| <i>Non-executive Director</i>              |  |
| Mr. Lee Ka Sze, Carmelo                    | √  |
| <i>Independent Non-executive Directors</i> |  |
| Mr. Gan Khai Choon                         | √  |
| Mr. Lam Ming Leung                         | √  |
| Mr. Leung Man Chiu, Lawrence               | √  |

## 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" 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. The other members are Mr. Lu Sin, Mr. Lee Ka Sze, Carmelo, Mr. Leung Man Chiu, Lawrence and Mr. Gan Khai Choon.

The Remuneration and Nomination Committee is responsible for making recommendations to the Board on issues including new appointment and re-appointment of Directors and senior management; review management succession planning for senior management of the Company; formulate, review and determine/make recommendation to the Board on the 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.

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.

# Corporate Governance Report

## BOARD COMMITTEES (Continued)

### Remuneration and Nomination Committee (Continued)

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. Lam Ming Leung           | 3/3                              |
| Mr. Lu Sin                   | 3/3                              |
| Mr. Lee Ka Sze, Carmelo      | 3/3                              |
| Mr. Leung Man Chiu, Lawrence | 3/3                              |
| Mr. Gan Khai Choon           | 3/3                              |

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

- (a) making recommendation to the board on the re-appointment of directors;
- (b) assessing the independence of the Independent Non-executive Directors;
- (c) reviewing and approving the annual salary and bonus for staff of the Group;
- (d) reviewing and approving the remuneration to executive directors and senior management; and
- (e) making recommendation to the board on the remuneration for non-executive directors.

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

### 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                              |

# Corporate Governance Report

## 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 2014;
- (iii) the interim results (including the announcement thereof) and the financial statements for the six months ended 30 September 2013;
- (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.

## CONSTITUTIONAL DOCUMENT

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

In order to bring the articles of association of the Company in line with the major statutory changes introduced by the new Companies Ordinance (Chapter 622 of the Laws of Hong Kong) which came into operation on 3 March 2014, a resolution will be submitted at the 2014 Annual General Meeting to adopt a new set of articles of association to replace in its entirety the existing articles of association of the Company. Details of the major changes to the articles of association are set out in the circular to the shareholders sent together with this 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 2015. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 13 August 2014.

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

| <b>Nature of services</b>          | <b>2014</b>             | <b>2013</b>             |
|------------------------------------|-------------------------|-------------------------|
|                                    | <b>HK\$</b>             | <b>HK\$</b>             |
| Review fee for interim results     | <b>130,800</b>          | 126,800                 |
| Audit fee for final results        | <b>820,000</b>          | 791,000                 |
| Taxation consultancy services fee  | <b>122,600</b>          | 117,200                 |
| Total audit and non-audit services | <b><u>1,073,400</u></b> | <b><u>1,035,000</u></b> |

# Corporate Governance Report

## 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 23 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 2014. 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 2014. 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 2014 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 2014 Annual General Meeting (and any other shareholders' meetings) will be taken by poll in compliance with the said Rule 13.39(4) of the Listing Rules.



# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (O.(a) to (c) of the Code of Appendix 14)

### (a) General meeting on requisition by shareholders

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "New Companies Ordinance") which takes effect on 3 March 2014, shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request:–

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

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

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

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

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

Mr. Wong Leung Wai  
Safety Godown Co Ltd  
Units 1305-1306, 13/F., Lu Plaza,  
2 Wing Yip Street,  
Kwun Tong, Kowloon, Hong Kong

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

### (c) Putting forward proposal at annual general meeting ("AGM")

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

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

# Corporate Governance Report

## SHAREHOLDERS' RIGHTS (O.(a) to (c) of the Code of Appendix 14) (Continued)

### (c) Putting forward proposal at annual general meeting ("AGM") (Continued)

The request:-

- (i) may be sent in hard copy form or in electric form;
- (ii) must identify the resolution of which notice is to be given;
- (iii) must be authenticated by the person or persons making it; and
- (iv) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

### (d) Procedure for shareholders to propose a person for election as a director

According to Article 82A of the Articles of Association of the Company, a notice signed by a shareholder of his/her intention to propose a person for election and also a notice signed by the person (the "Candidate") to be proposed of his/her willingness to be elected shall be lodged at the registered office of the Company no earlier than the day after the despatch of the notice of the general meeting appointed for such election and no later than seven days prior to the date of such general meeting.

The Candidate is required to provide his/her biographical details as set out under Rule 13.51(2) of the Listing Rules.

The Nomination Committee, where applicable, will review and make recommendations to the Board on the selection of any individuals nominated for directorships in accordance with the terms of reference of the Nomination Committee.

The Company will, where appropriate, issue a supplementary circular which shall include the name of the Candidate together with his/her biographical details as set out in Rule 13.51(2) of the Listing Rules, to the Shareholders for them to make decision on their election at a general meeting.

## COMPANY SECRETARY

The Company engages an external service provider, Mr. Wong Leung Wai, as its company secretary. Mr. Wong possesses the necessary qualification and experience, and is capable of performing the functions of the company secretary. Mr. Oen Min Tjin, Executive Director of the Company is the primary contact person who Mr. Wong contacts. During the year, Mr. Wong has confirmed that he has taken no less than 15 hours of relevant professional training.

## 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.

# Corporate Governance Report

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## SOCIAL SERVICES

As a member of the business community, the Group deeply believes in philanthropic and voluntary participation in social welfare activities to fulfill our social responsibilities, and has always set this fulfillment as a continuous and long term goal.

As with previous years, the Group has once again this year sponsored the “Hong Kong Synergy 24 Drum Competition” organized by the Hong Kong Chinese Orchestra in promoting Chinese culture; supported World Vision Hong Kong’s annual “Used Book Recycling Campaign”; organized voluntary visits during Mid-Autumn Festival and Christmas to Kwong Yam Homes for the Aged, and has donated to Po Leung Kuk’s “Child Sponsorship Programme House Sponsorship” in hopes of providing help to children and care for the elderly. The Group has also donated to the Community Chest’s “Corporate Challenge” and “Green Day”, as well as Orbis Pins and World Vision’s “Skip-A-Meal” to help those in need.

In addition, we have also sponsored and participated in tree planting activities held by the Federation of the Hong Kong Polytechnic University Alumni Association.

In recognition of our continuous efforts in implementing corporate responsibility and contribution to social development, we have once again been awarded the “Ten Plus Caring Company” logo by the Hong Kong Council of Social Service this year.

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

**Oen Min Tjin**  
*Director*

Hong Kong, 26 June 2014

# 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 2014.

## 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 32 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2014 are set out in the consolidated statement of profit or loss and other comprehensive income on page 24.

An interim and special dividends of HK7 cents and HK4 cents per share, amounting to HK\$9,450,000 and HK\$5,400,000 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 HK18 cents per share amounting to HK\$24,300,000 to the shareholders whose names appear on the register of members on 22 August 2014, and the retention of the remaining profit for the year of HK\$156,057,000.

Other movements in reserves of the Group are set out in the consolidated statement of changes in equity on page 26.

## 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.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2014, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$389,262,000 (2013: HK\$435,991,000). 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

# Directors' Report

## DIRECTORS (Continued)

### *Non-executive director*

Mr. Lee Ka Sze, Carmelo

### *Independent non-executive directors*

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Gan Khai Choon, 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 2014 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 2014, 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:

| Name of director       | Number of issued ordinary shares of the Company held (long position) |                         |                         | Total      | Percentage of issued share capital of the Company |
|------------------------|--|-------------------------|-------------------------|------------|---|
|                        | Personal interests   | Family interests        | Corporate interests     |            |   |
| Mr. Lu Sin             | 4,400,000  | 12,939,500 <sup>1</sup> | 49,203,445 <sup>2</sup> | 66,542,945 | 49.29%  |
| Mr. Lu Wing Yee, Wayne | 7,910,420  | —                       | 23,440 <sup>3</sup>     | 7,933,860  | 5.88%   |
| Mr. Lam Ming Leung     | 10,000   | —                       | —                       | 10,000     | 0.0074%   |

### *Notes:*

- Mr. Lu Sin was deemed to be interested in these 12,939,500 shares which comprise:
  - 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung personally;
  - 10,350,000 shares held through Earngold Limited of which his spouse, Ms. Chan Koon Fung, indirectly own 50% of the issued share capital;
- Mr. Lu Sin was deemed to be interested in these 49,203,445 shares which comprise:
  - 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 47.57% held by Mr. Lu Sin and 15.19% held by his spouse, Ms. Chan Koon Fung;
  - 2,000,000 shares held through Lusin and Company Limited, the issued share capital in which was 46.50% held by Mr. Lu Sin and 15.50% held by his spouse, Ms. Chan Koon Fung.
- 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 2014.

# Directors' Report

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 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 2014, 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:

| Name of substantial shareholder    | Number of issued ordinary shares held |                   | Percentage of issued share capital of the Company |
|------------------------------------|---------------------------------------|-------------------|---|
|                                    | Direct interest                       | Indirect interest |   |
| Kian Nan Financial Limited         | 47,203,445                            | –                 | 34.97%  |
| Fu Nan Enterprises Company Limited | 11,999,661                            | –                 | 8.89%   |
| Eargold Limited                    | 10,350,000                            | –                 | 7.67%   |

*Note:* 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, at 31 March 2014, no other person was recorded in the register of substantial shareholders required to be kept by the Company under Section 336 of the SFO as having any interests or short positions in the issued share capital of the Company.

## MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's largest customer accounted for 7% (2013: 9%) of its turnover.

The aggregate sales attributable to the Group's five largest customers accounted for 29% (2013: 29%) of the Group's total turnover.

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

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

# Directors' Report

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## **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 2014.

## **DONATIONS**

During the year, the Group made charitable and other donations amounting to HK\$332,000.

## **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 2014 with the Corporate Governance Code 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 10 to 18 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, 26 June 2014

# 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 24 to 63, which comprise the consolidated and the company statements of financial position as at 31 March 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and 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 predecessor Hong Kong Companies Ordinance, Cap. 32, 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 predecessor Hong Kong Companies Ordinance, Cap. 32, 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 2014, 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 predecessor Hong Kong Companies Ordinance, Cap.32.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong  
26 June 2014



# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2014

|   | <i>Notes</i> | <b>2014</b><br><b>HK\$'000</b> | 2013<br><i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Turnover  | 4            | <b>139,156</b>                 | 119,758                 |
| Income from godown operations   |              | <b>38,560</b>                  | 32,752                  |
| Income from property investment   |              | <b>96,280</b>                  | 84,030                  |
| Fair value (loss) gain on investments held for trading                        |              | <b>(8,790)</b>                 | 5,653                   |
| Interest income   |              | <b>1,080</b>                   | 1,577                   |
| Dividend income   |              | <b>3,236</b>                   | 1,399                   |
| Other income and gains  |              | <b>343</b>                     | 461                     |
| Increase in fair value of investment properties                               | 12           | <b>132,494</b>                 | 754,508                 |
| Staff costs   |              | <b>(17,600)</b>                | (19,171)                |
| Depreciation of property, plant and equipment                                 |              | <b>(7,058)</b>                 | (7,183)                 |
| Other expenses  |              | <b>(17,050)</b>                | (14,914)                |
| Profit before taxation  | 8            | <b>221,495</b>                 | 839,112                 |
| Taxation  | 9            | <b>(16,838)</b>                | (14,992)                |
| Profit for the year attributable to owners of the Company                     |              | <b>204,657</b>                 | 824,120                 |
| Other comprehensive (loss) income for the year                                |              |                                |                         |
| Item that may be subsequently reclassified to profit or loss:                 |              |                                |                         |
| Fair value (loss) gain on available-for-sale investments                      |              | <b>(4,523)</b>                 | 8,982                   |
| Total comprehensive income for the year attributable to owners of the Company |              | <b>200,134</b>                 | 833,102                 |
| Earnings per share – Basic  | 11           | <b>HK\$1.52</b>                | HK\$6.10                |

# Statements of Financial Position

At 31 March 2014

|   | Notes | THE GROUP               |                         | THE COMPANY           |                       |
|---|-------|-------------------------|-------------------------|-----------------------|-----------------------|
|   |       | 2014<br>HK\$'000        | 2013<br>HK\$'000        | 2014<br>HK\$'000      | 2013<br>HK\$'000      |
| <b>Non-current assets</b>                           |       |                         |                         |                       |                       |
| Investment properties                               | 12    | 2,667,400               | 2,534,400               | –                     | –                     |
| Property, plant and equipment                       | 13    | 101,460                 | 108,196                 | 94                    | 319                   |
| Investments in subsidiaries                         | 14    | –                       | –                       | 41,133                | 41,133                |
| Amounts due from subsidiaries                       | 15    | –                       | –                       | 432,877               | 474,674               |
| Available-for-sale investments                      | 16    | 27,391                  | 31,914                  | 27,391                | 31,914                |
| Held-to-maturity investment                         | 17    | 7,215                   | 8,164                   | –                     | –                     |
|   |       | <u>2,803,466</u>        | <u>2,682,674</u>        | <u>501,495</u>        | <u>548,040</u>        |
| <b>Current assets</b>                               |       |                         |                         |                       |                       |
| Investments held for trading                        | 18    | 89,886                  | 73,769                  | 9,954                 | 13,860                |
| Trade and other receivables                         | 19    | 10,977                  | 8,871                   | 602                   | 380                   |
| Amounts due from subsidiaries                       | 15    | –                       | –                       | 228,987               | 94,580                |
| Tax recoverable                                     |       | 2,002                   | 21                      | 2,002                 | –                     |
| Bank and other deposits                             | 20    | 152,824                 | 102,497                 | –                     | 61,054                |
| Bank balances and cash                              |       | 77,575                  | 105,691                 | 38,830                | 68,710                |
|   |       | <u>333,264</u>          | <u>290,849</u>          | <u>280,375</u>        | <u>238,584</u>        |
| <b>Current liabilities</b>                          |       |                         |                         |                       |                       |
| Other payables                                      | 21    | 29,448                  | 23,711                  | 3,943                 | 4,687                 |
| Amounts due to subsidiaries                         | 22    | –                       | –                       | 56,026                | 8,527                 |
| Tax payable   |       | 4,202                   | 2,540                   | –                     | 104                   |
|   |       | <u>33,650</u>           | <u>26,251</u>           | <u>59,969</u>         | <u>13,318</u>         |
| <b>Net current assets</b>                           |       | <u>299,614</u>          | <u>264,598</u>          | <u>220,406</u>        | <u>225,266</u>        |
|   |       | <u><b>3,103,080</b></u> | <u><b>2,947,272</b></u> | <u><b>721,901</b></u> | <u><b>773,306</b></u> |
| <b>Capital and reserves</b>                         |       |                         |                         |                       |                       |
| Share capital                                       | 23    | 178,216                 | 135,000                 | 178,216               | 135,000               |
| Share premium and reserves                          | 24    | 2,861,129               | 2,746,061               | 542,989               | 637,457               |
| <b>Equity attributable to owners of the Company</b> |       | <u><b>3,039,345</b></u> | <u>2,881,061</u>        | <u><b>721,205</b></u> | <u>772,457</u>        |
| <b>Non-current liabilities</b>                      |       |                         |                         |                       |                       |
| Long-term tenant's deposits received                |       | 9,405                   | 13,910                  | –                     | –                     |
| Deferred tax liabilities                            | 25    | 52,444                  | 49,255                  | –                     | –                     |
| Provision for long service payments                 | 26    | 1,886                   | 3,046                   | 696                   | 849                   |
|   |       | <u>63,735</u>           | <u>66,211</u>           | <u>696</u>            | <u>849</u>            |
|   |       | <u><b>3,103,080</b></u> | <u><b>2,947,272</b></u> | <u><b>721,901</b></u> | <u><b>773,306</b></u> |

The consolidated financial statements on pages 24 to 63 were approved and authorised for issue by the Board of Directors on 26 June 2014 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 2014

|   | Share<br>capital<br><i>HK\$'000</i> | Share<br>premium<br><i>HK\$'000</i> | Investment<br>revaluation<br>reserve<br><i>HK\$'000</i> | Property<br>revaluation<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|---|-------------------------------------|-------------------------------------|---|---|--|--------------------------|
| At 1 April 2012   | 135,000                             | 43,216                              | 8,153   | 63,618  | 1,843,872                              | 2,093,859                |
| Profit for the year   | –                                   | –                                   | –   | –   | 824,120                                | 824,120                  |
| Fair value gain of available-<br>for-sale investments   | –                                   | –                                   | 8,982   | –   | –                                      | 8,982                    |
| Total comprehensive<br>income for the year  | –                                   | –                                   | 8,982   | –   | 824,120                                | 833,102                  |
| Dividends paid ( <i>note 10</i> )   | –                                   | –                                   | –   | –   | (45,900)                               | (45,900)                 |
| At 31 March 2013  | 135,000                             | 43,216                              | 17,135  | 63,618  | 2,622,092                              | 2,881,061                |
| Profit for the year   | –                                   | –                                   | –   | –   | 204,657                                | 204,657                  |
| Fair value loss of available-<br>for-sale investments   | –                                   | –                                   | (4,523)   | –   | –                                      | (4,523)                  |
| Total comprehensive (loss)<br>income for the year   | –                                   | –                                   | (4,523)   | –   | 204,657                                | 200,134                  |
| Dividends paid ( <i>note 10</i> )   | –                                   | –                                   | –   | –   | (41,850)                               | (41,850)                 |
| Transfer upon abolition of par<br>value under the new Hong Kong<br>Companies Ordinance,<br>Cap. 622 ( <i>Note</i> ) | 43,216                              | (43,216)                            | –   | –   | –                                      | –                        |
| At 31 March 2014  | 178,216                             | –                                   | 12,612  | 63,618  | 2,784,899                              | 3,039,345                |

*Note:* In accordance with the provisions of the new Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company has no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

# Consolidated Statement of Cash Flows

For the year ended 31 March 2014

|   | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|---|------------------|------------------|
| <b>Operating activities</b>   |                  |                  |
| Profit before taxation  | 221,495          | 839,112          |
| Adjustments for:  |                  |                  |
| Increase in fair value of investment properties                     | (132,494)        | (754,508)        |
| Unrealised loss (gain) on investments held for trading              | 7,577            | (3,967)          |
| Depreciation of property, plant and equipment                       | 7,058            | 7,183            |
| Provision for long service payments                                 | 63               | 1,054            |
| Exchange differences  | 949              | (8)              |
|   | <hr/>            | <hr/>            |
| Operating cash flows before movements in working capital            | 104,648          | 88,866           |
| (Increase) decrease in trade and other receivables                  | (2,106)          | 824              |
| (Increase) decrease in investments held for trading                 | (23,694)         | 4,682            |
| Increase in other payables and long-term tenant's deposits received | 1,232            | 5,248            |
| Long service payments utilised                                      | (1,223)          | (249)            |
|   | <hr/>            | <hr/>            |
| Cash generated from operations                                      | 78,857           | 99,371           |
| Income tax paid   | (13,968)         | (10,320)         |
|   | <hr/>            | <hr/>            |
| <b>Net cash from operating activities</b>                           | <b>64,889</b>    | <b>89,051</b>    |
|   | <hr/>            | <hr/>            |
| <b>Investing activities</b>   |                  |                  |
| Addition of bank deposits   | (135,149)        | (40,907)         |
| Addition of investment properties                                   | (506)            | (4,072)          |
| Purchase of property, plant and equipment                           | (322)            | (985)            |
| Withdrawal of bank deposits   | 62,022           | 22,281           |
| Decrease in deposits with security brokers                          | 22,800           | 4,603            |
|   | <hr/>            | <hr/>            |
| <b>Net cash used in investing activities</b>                        | <b>(51,155)</b>  | <b>(19,080)</b>  |
|   | <hr/>            | <hr/>            |
| <b>Cash used in financing activity</b>                              |                  |                  |
| Dividends paid  | (41,850)         | (45,900)         |
|   | <hr/>            | <hr/>            |
| <b>Net (decrease) increase in cash and cash equivalents</b>         | <b>(28,116)</b>  | <b>24,071</b>    |
|   | <hr/>            | <hr/>            |
| <b>Cash and cash equivalents at beginning of the year</b>           | <b>105,691</b>   | <b>81,620</b>    |
|   | <hr/>            | <hr/>            |
| <b>Cash and cash equivalents at end of the year</b>                 | <b>77,575</b>    | <b>105,691</b>   |
|   | <hr/> <hr/>      | <hr/> <hr/>      |
| <b>Analysis of cash and cash equivalents</b>                        |                  |                  |
| Bank balances and cash  | 77,575           | 105,691          |
|   | <hr/> <hr/>      | <hr/> <hr/>      |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 32.

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 ("HKFRSs")

In the current year, the Group and the Company have 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 HKFRSs                             | Annual Improvements to HKFRSs 2009-2011 Cycle   |
| Amendments to HKFRS 7                            | Disclosures – Offsetting Financial Assets and Financial Liabilities   |
| Amendments to HKFRS 10,<br>HKFRS 11 and HKFRS 12 | Consolidated Financial Statements, Joint Arrangements<br>and Disclosure of Interests in Other Entities: Transition Guidance |
| HKFRS 10   | Consolidated Financial Statements   |
| HKFRS 11   | Joint Arrangements  |
| HKFRS 12   | Disclosure of Interests in Other Entities   |
| HKFRS 13   | Fair Value Measurement  |
| HKAS 19 (as revised in 2011)                     | Employee Benefits   |
| HKAS 27 (as revised in 2011)                     | Separate Financial Statements   |
| HKAS 28 (as revised in 2011)                     | Investments in Associates and Joint Ventures  |
| Amendments to HKAS 1                             | Presentation of Items of Other Comprehensive Income   |
| HK(IFRIC)-Int 20                                 | Stripping Costs in the Production Phase of a Surface Mine   |

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.

### *HKFRS 13 "Fair Value Measurement"*

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. The scope of HKFRS 13 is broad, and 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 for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value (for example, net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 contains a new definition for 'fair value' and defines fair value of an assets as the price that would be received to sell an asset (or paid to transfer a liability, in the case of determining the fair value of a liability) in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Also, HKFRS 13 includes extensive disclosure requirements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

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

### *HKFRS 13 “Fair Value Measurement” (Continued)*

HKFRS 13 requires prospective application. In accordance with the transitional provisions of HKFRS 13, the Group has not made any new disclosures required by HKFRS 13 for the 2013 comparative period (please see notes 12 and 30 for the 2014 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

### *Amendments to HKAS 1 “Presentation of Items of Other Comprehensive Income”*

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income. Upon application of the amendments to HKAS 1, the Group’s statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income. The amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

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 2010-2012 Cycle <sup>4</sup>                        |
| Amendments to HKFRSs                         | Annual Improvements to HKFRSs 2011-2013 Cycle <sup>2</sup>                        |
| HKFRS 9                                      | Financial Instruments <sup>3</sup>  |
| HKFRS 14                                     | Regulatory Deferral Accounts <sup>5</sup>   |
| Amendments to HKFRS 9 and HKFRS 7            | Mandatory Effective Date of HKFRS 9 and Transition Disclosures <sup>3</sup>       |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 27 | Investment Entities <sup>1</sup>  |
| Amendments to HKFRS 11                       | Accounting for Acquisition of Interests in Joint Operations <sup>6</sup>          |
| Amendments to HKAS 16 and HKAS 38            | Clarification of Acceptable Methods of Depreciation and Amortisation <sup>6</sup> |
| Amendments to HKAS 19                        | Defined Benefit Plans: Employee Contributions <sup>2</sup>                        |
| Amendments to HKAS 32                        | Offsetting Financial Assets and Financial Liabilities <sup>1</sup>                |
| Amendments to HKAS 36                        | Recoverable Amount Disclosures for Non-Financial Assets <sup>1</sup>              |
| Amendments to HKAS 39                        | Novation of Derivatives and Continuation of Hedge Accounting <sup>1</sup>         |
| HK(IFRIC)-Int 21                             | Levies <sup>1</sup>   |

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted

<sup>2</sup> Effective for annual periods beginning on or after 1 July 2014

<sup>3</sup> Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised

<sup>4</sup> Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

<sup>5</sup> Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2016

The directors of the Company are in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

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

The principal accounting policies are set out below.

### Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, and the predecessor Hong Kong Companies Ordinance, Cap. 32 for this financial year and the comparative period under the transitional and saving arrangements for Part 9 “Accounts and Audit” set out in sections 76 to 87 of Schedule 11 to the new Hong Kong Companies Ordinance, Cap. 622.

The requirements of Part 9 “Accounts and Audit” comes into operation from the Company’s first financial year commencing after 3 March 2014 (that is, 1 April 2014) in accordance with section 358 of the new Hong Kong Companies Ordinance, Cap. 622. The directors of the Company is in the process of making an assessment of the impact of the changes under Part 9 “Accounts and Audit” on the consolidated financial statements in the period of initial application.

So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated financial statements.

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 2014 comprise the Company and entities controlled by the Company and its subsidiaries.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 31.

### Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Company:

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

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

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.



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the 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 (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash generating unit) in prior years. A reversal of an impairment loss is recognised 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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 investment is non-derivative financial assets with fixed or determinable payments and fixed maturity dates 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 loss on 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.

Equity securities held by the Group that are classified as available-for-sale financial assets are measured at fair value at the end of each reporting period. Dividends on available-for-sale equity investments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

##### *Impairment loss on 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

##### *Impairment loss on financial assets (Continued)*

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.

#### *Financial liabilities and equity instruments*

Debt 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### *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, amounts due to subsidiaries and long-term tenant's deposits received) 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 assets expire.

On derecognition of a financial asset, 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.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 before taxation” as reported in the consolidated statement of profit or loss and other 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”, the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose 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 (that is, based on the expected manner as to how the properties will be recovered).

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 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 or 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.

### Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### 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 and/or benefits.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 4. TURNOVER

Turnover represents the following revenue recognised during the year:

|   | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|---|------------------|------------------|
| Income from godown operations           | 38,560           | 32,752           |
| Income from property investment         | 96,280           | 84,030           |
| Dividend income from listed investments | 3,236            | 1,399            |
| Bank interest income                    | 532              | 967              |
| Other interest income                   | 548              | 610              |
|   | <u>139,156</u>   | <u>119,758</u>   |

## 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 godowns              |
| Property investment | – | Leasing of investment properties  |
| Treasury investment | – | Securities trading and investment |

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

*For the year ended 31 March 2014*

|   | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|----------------------------------|------------------------------------|------------------------------------|--------------------------|
| <i>Turnover</i>                                 |                                  |                                    |                                    |                          |
| Segment revenue                                 | <u>38,560</u>                    | <u>96,280</u>                      | <u>4,316</u>                       | <u>139,156</u>           |
| Segment profit (loss)                           | <u>22,258</u>                    | <u>81,428</u>                      | <u>(10,100)</u>                    | <u>93,586</u>            |
| Increase in fair value of investment properties |                                  |                                    |                                    | 132,494                  |
| Other administrative costs                      |                                  |                                    |                                    | <u>(4,585)</u>           |
| Profit before taxation                          |                                  |                                    |                                    | <u>221,495</u>           |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2014 (Continued)

|  | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Consolidated<br>HK\$'000                      |
|--|----------------------------------|------------------------------------|------------------------------------|---|
| <i>Assets</i>  |                                  |                                    |                                    |   |
| Segment assets   | 107,551                          | 2,670,898                          | 278,103                            | 3,056,552                                     |
| Bank balances and cash   |                                  |                                    |                                    | 77,575  |
| Tax recoverable  |                                  |                                    |                                    | 2,002   |
| Unallocated other assets   |                                  |                                    |                                    | 601   |
| Consolidated total assets  |                                  |                                    |                                    | <u>3,136,730</u>                              |
| <i>Liabilities</i>   |                                  |                                    |                                    |   |
| Segment liabilities  | 4,076                            | 31,702                             | –                                  | 35,778  |
| Tax payable  |                                  |                                    |                                    | 4,202   |
| Deferred tax liabilities   |                                  |                                    |                                    | 52,444  |
| Unallocated other liabilities  |                                  |                                    |                                    | 4,961   |
| Consolidated total liabilities   |                                  |                                    |                                    | <u>97,385</u>                                 |
|  | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Segment/<br>consolidated<br>total<br>HK\$'000 |
| <i>Other information</i>   |                                  |                                    |                                    |   |
| Amounts included in the measure of segment profit or loss or segment assets: |                                  |                                    |                                    |   |
| Capital expenditure  | 301                              | 527                                | –                                  | 828   |
| Depreciation of property, plant and equipment                                | 7,043                            | 15                                 | –                                  | 7,058   |
| Fair value loss on investments held for trading                              | –                                | –                                  | (8,790)                            | (8,790)                                       |
| Provision for long service payments  | –                                | 63                                 | –                                  | 63  |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2013

|   | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Consolidated<br>HK\$'000 |
|---|----------------------------------|------------------------------------|------------------------------------|--------------------------|
| <i>Turnover</i>                                 |                                  |                                    |                                    |                          |
| Segment revenue                                 | 32,752                           | 84,030                             | 2,976                              | 119,758                  |
| Segment profit                                  | 19,090                           | 63,590                             | 6,787                              | 89,467                   |
| Increase in fair value of investment properties |                                  |                                    |                                    | 754,508                  |
| Other administrative costs                      |                                  |                                    |                                    | (4,863)                  |
| Profit before taxation                          |                                  |                                    |                                    | 839,112                  |
| <br>  |                                  |                                    |                                    |                          |
|   | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Consolidated<br>HK\$'000 |
| <i>Assets</i>                                   |                                  |                                    |                                    |                          |
| Segment assets                                  | 112,977                          | 2,536,999                          | 217,021                            | 2,866,997                |
| Bank balances and cash                          |                                  |                                    |                                    | 105,691                  |
| Tax recoverable                                 |                                  |                                    |                                    | 21                       |
| Unallocated other assets                        |                                  |                                    |                                    | 814                      |
| Consolidated total assets                       |                                  |                                    |                                    | 2,973,523                |
| <br>  |                                  |                                    |                                    |                          |
| <i>Liabilities</i>                              |                                  |                                    |                                    |                          |
| Segment liabilities                             | 4,144                            | 29,881                             | –                                  | 34,025                   |
| Tax payable                                     |                                  |                                    |                                    | 2,540                    |
| Deferred tax liabilities                        |                                  |                                    |                                    | 49,255                   |
| Unallocated other liabilities                   |                                  |                                    |                                    | 6,642                    |
| Consolidated total liabilities                  |                                  |                                    |                                    | 92,462                   |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 5. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2013 (Continued)

|  | Godown<br>operations<br>HK\$'000 | Property<br>investment<br>HK\$'000 | Treasury<br>investment<br>HK\$'000 | Segment/<br>consolidated<br>total<br>HK\$'000 |
|--|----------------------------------|------------------------------------|------------------------------------|---|
| <i>Other information</i>   |                                  |                                    |                                    |   |
| Amounts included in the measure of segment profit or loss or segment assets: |                                  |                                    |                                    |   |
| Capital expenditure  | 985                              | 4,072                              | –                                  | 5,057   |
| Depreciation of property, plant and equipment                                | 7,169                            | 14                                 | –                                  | 7,183   |
| Fair value gain on investments held for trading                              | –                                | –                                  | 5,653                              | 5,653   |
| Provision for long service payments  | 751                              | 303                                | –                                  | 1,054   |

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.

### Information about major customers

The aggregate sales attributable to the Group's five largest customers accounted for 29% (2013: 29%) 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 major non-current assets of the Group for both years are located and derived from Hong Kong.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 6. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable during the year to each of the seven (2013: seven) directors and the chief executive were as follows:

| Name of directors                        | Lu           | Lu                 | Oen Min    | Lee                | Gan           | Lam           | Leung                 | Total        |
|--|--------------|--------------------|------------|--------------------|---------------|---------------|-----------------------|--------------|
|  | Lu Sin       | Wing Yee,<br>Wayne | Tjin       | Ka Sze,<br>Carmelo | Khai<br>Choon | Ming<br>Leung | Man Chiu,<br>Lawrence |              |
|  | HK\$'000     | HK\$'000           | HK\$'000   | HK\$'000           | HK\$'000      | HK\$'000      | HK\$'000              | HK\$'000     |
| <b>2014</b>                              |              |                    |            |                    |               |               |                       |              |
| Fees                                     | 83           | 25                 | 42         | 199                | 221           | 199           | 199                   | 968          |
| Other emoluments                         |              |                    |            |                    |               |               |                       |              |
| Salaries and other benefits              | 2,119        | –                  | 901        | –                  | –             | –             | –                     | 3,020        |
| Retirement benefits scheme contributions | –            | 15                 | –          | –                  | –             | –             | –                     | 15           |
| <b>Total emoluments</b>                  | <b>2,202</b> | <b>40</b>          | <b>943</b> | <b>199</b>         | <b>221</b>    | <b>199</b>    | <b>199</b>            | <b>4,003</b> |
| <b>2013</b>                              |              |                    |            |                    |               |               |                       |              |
| Fees                                     | 82           | 24                 | 39         | 187                | 209           | 187           | 187                   | 915          |
| Other emoluments                         |              |                    |            |                    |               |               |                       |              |
| Salaries and other benefits              | 2,119        | –                  | 847        | –                  | –             | –             | –                     | 2,966        |
| Retirement benefits scheme contributions | –            | 15                 | –          | –                  | –             | –             | –                     | 15           |
| <b>Total emoluments</b>                  | <b>2,201</b> | <b>39</b>          | <b>886</b> | <b>187</b>         | <b>209</b>    | <b>187</b>    | <b>187</b>            | <b>3,896</b> |

Note: Mr. Lu Wing Yee, Wayne has been taking sick leave since October 2011 and has voluntarily agreed to have payment of his salaries suspended, other than that, no directors waived any emoluments during the years ended 31 March 2014 and 2013.

Mr. Lu Sin is also the Chief Executive of the Company and his emoluments disclosed above include those for services rendered by him as the Chief Executive.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2013: two) were executive directors and the chief executive of the Company whose emoluments are included in note 6 above. The emoluments of the remaining three (2013: three) individuals were as follows:

|  | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|--|------------------|------------------|
| Salaries and other benefits              | 1,691            | 1,489            |
| Retirement benefits scheme contributions | 45               | 43               |
|  | <u>1,736</u>     | <u>1,532</u>     |

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

## 8. PROFIT BEFORE TAXATION

|   | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
|---|------------------|------------------|
| Profit before taxation has been arrived at after charging (crediting):                                    |                  |                  |
| Auditor's remuneration  |                  |                  |
| – audit service   | 820              | 791              |
| – non-audit services  | 253              | 244              |
| Exchange loss, net  | 4,796            | 674              |
| Gross rental income from investment properties  | (96,280)         | (84,030)         |
| Less: direct operating expenses for investment properties<br>that generated rental income during the year | 4,443            | 6,010            |
| Net rental income   | (91,837)         | (78,020)         |
| Dividend income from listed securities  |                  |                  |
| – available-for-sale investments  | (701)            | (701)            |
| – investments held for trading  | (2,535)          | (698)            |
| Bank interest income  | (532)            | (967)            |
| Interest income from held-to-maturity investment  | (548)            | (610)            |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 9. TAXATION

|                                      | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| The charge comprises:                |                         |                         |
| Hong Kong Profits Tax                |                         |                         |
| Current year                         | 13,867                  | 11,813                  |
| Overprovision in prior years         | (218)                   | (141)                   |
|                                      | <u>13,649</u>           | <u>11,672</u>           |
| Deferred taxation ( <i>note 25</i> ) |                         |                         |
| Current year                         | 3,189                   | 3,320                   |
|                                      | <u>16,838</u>           | <u>14,992</u>           |

Hong Kong Profits Tax is calculated at 16.5% (2013: 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 profit or loss and other comprehensive income as follows:

|   | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit before taxation  | <u>221,495</u>          | <u>839,112</u>          |
| Tax at the domestic income tax rate of 16.5%                      | 36,547                  | 138,453                 |
| Tax effect of expenses not deductible for tax purpose             | 1,230                   | 1,511                   |
| Tax effect of income not taxable for tax purpose                  | (22,508)                | (125,004)               |
| Tax effect of tax losses not recognised                           | 1,845                   | 148                     |
| Tax effect of utilisation of tax losses previously not recognised | (21)                    | (8)                     |
| Overprovision in prior years                                      | (218)                   | (141)                   |
| Others  | (37)                    | 33                      |
| Tax charge for the year   | <u>16,838</u>           | <u>14,992</u>           |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 10. DIVIDENDS

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| Interim dividend paid in respect of 2014 – HK7 cents<br>(2013: HK7 cents) per ordinary share   | 9,450                   | 9,450                   |
| Special dividend paid in respect of 2014 – HK4 cents<br>(2013: HK8 cents) per ordinary share   | 5,400                   | 10,800                  |
| Final dividend paid in respect of 2013 – HK7 cents<br>(2012: HK7 cents) per ordinary share     | 9,450                   | 9,450                   |
| Special dividend paid in respect of 2013 – HK13 cents<br>(2012: HK12 cents) per ordinary share | 17,550                  | 16,200                  |
|  | <u>41,850</u>           | <u>45,900</u>           |

A final dividend of HK7 cents per share, amounting to HK\$9,450,000 and a special dividend of HK18 cents per share, amounting to HK\$24,300,000 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

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of HK\$204,657,000 (2013: HK\$824,120,000) 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

|   | <b>THE GROUP</b><br><i>HK\$'000</i> |
|---|-------------------------------------|
| <b>AT FAIR VALUE</b>                                |                                     |
| At 1 April 2012                                     | 1,775,820                           |
| Additions   | 4,072                               |
| Increase in fair value recognised in profit or loss | 754,508                             |
|   | <u>2,534,400</u>                    |
| At 31 March 2013                                    | 2,534,400                           |
| Additions   | 506                                 |
| Increase in fair value recognised in profit or loss | 132,494                             |
|   | <u>2,667,400</u>                    |
| At 31 March 2014                                    | <u>2,667,400</u>                    |

The fair values of the Group's major investment properties at 31 March 2014 amounting to HK\$2,641,000,000 (2013: HK\$2,534,400,000) 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 on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 12. INVESTMENT PROPERTIES (Continued)

The fair values of the Group's other investment properties as at 31 March 2014 amounting to HK\$26,400,000 (2013: nil) 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 on the basis of capitalisation of the rental income receivable and reversionary income potential by adopting appropriate capitalisation rates.

The revaluation gave rise to a gain arising from changes in fair value of HK\$132,494,000 (2013: HK\$754,508,000) which has been included in the consolidated statement of profit or loss and other comprehensive income.

The key inputs used in valuing the investment properties under the income capitalisation approach were the capitalisation rate used and market unit rent of individual unit. The capitalisation rate used, taking into account the capitalisation of rental income potential, nature of the property, prevailing market condition, range from 2.4% to 5.5% represents the significant unobservable input under the income capitalisation approach. A significant increase in the capitalisation rate used would result in a significant decrease in the fair value measurement of the investment properties, and vice versa. The increase in the market unit rent would result in an increase in fair value and vice versa.

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

The valuation of the Group's investment properties is classified as level 3 of the fair value hierarchy. There were no transfers into or out of Level 3 during the year.

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

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

|                    | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--------------------|-------------------------|-------------------------|
| Long leases        | 764,500                 | 744,500                 |
| Medium-term leases | 1,902,900               | 1,789,900               |
|                    | <u>2,667,400</u>        | <u>2,534,400</u>        |



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 13. PROPERTY, PLANT AND EQUIPMENT

|                                   | Godown<br>premises in<br>Hong Kong<br>held under<br>long leases<br><i>HK\$'000</i> | Godown<br>premises in<br>Hong Kong<br>held under<br>medium-<br>term leases<br><i>HK\$'000</i> | Leasehold<br>improvements,<br>furniture,<br>fixtures<br>and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------|--|---|---|--------------------------------------|--------------------------|
| <b>THE GROUP</b>                  |  |   |   |                                      |                          |
| <b>COST</b>                       |  |   |   |                                      |                          |
| At 1 April 2012                   | 39,360   | 136,382   | 20,102  | 2,401                                | 198,245                  |
| Additions                         | –  | –   | 287   | 698                                  | 985                      |
| Disposals/write off               | –  | –   | (5,815)   | (431)                                | (6,246)                  |
| At 31 March 2013                  | 39,360   | 136,382   | 14,574  | 2,668                                | 192,984                  |
| Additions                         | –  | –   | 322   | –                                    | 322                      |
| Disposals/write off               | –  | –   | (15)  | –                                    | (15)                     |
| At 31 March 2014                  | 39,360   | 136,382   | 14,881  | 2,668                                | 193,291                  |
| <b>DEPRECIATION</b>               |  |   |   |                                      |                          |
| At 1 April 2012                   | 28,408   | 33,996  | 19,254  | 2,193                                | 83,851                   |
| Provided for the year             | 268  | 6,072   | 563   | 280                                  | 7,183                    |
| Eliminated on disposals/write off | –  | –   | (5,815)   | (431)                                | (6,246)                  |
| At 31 March 2013                  | 28,676   | 40,068  | 14,002  | 2,042                                | 84,788                   |
| Provided for the year             | 268  | 6,072   | 438   | 280                                  | 7,058                    |
| Eliminated on disposals/write off | –  | –   | (15)  | –                                    | (15)                     |
| At 31 March 2014                  | 28,944   | 46,140  | 14,425  | 2,322                                | 91,831                   |
| <b>CARRYING AMOUNTS</b>           |  |   |   |                                      |                          |
| At 31 March 2014                  | 10,416   | 90,242  | 456   | 346                                  | 101,460                  |
| At 31 March 2013                  | 10,684   | 96,314  | 572   | 626                                  | 108,196                  |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

|                                   | Furniture,<br>fixtures and<br>equipment<br><i>HK\$'000</i> | Motor<br>vehicles<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|-----------------------------------|--|--------------------------------------|--------------------------|
| <b>THE COMPANY</b>                |  |                                      |                          |
| <b>COST</b>                       |  |                                      |                          |
| At 1 April 2012                   | 5,353  | 421                                  | 5,774                    |
| Additions                         | 90   | –                                    | 90                       |
| Disposals/write off               | (3,846)  | –                                    | (3,846)                  |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| At 31 March 2013                  | 1,597  | 421                                  | 2,018                    |
| Additions                         | 15   | –                                    | 15                       |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| At 31 March 2014                  | 1,612  | 421                                  | 2,033                    |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| <b>DEPRECIATION</b>               |  |                                      |                          |
| At 1 April 2012                   | 4,675  | 210                                  | 4,885                    |
| Provided for the year             | 358  | 105                                  | 463                      |
| Eliminated on disposals/write off | (3,649)  | –                                    | (3,649)                  |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| At 31 March 2013                  | 1,384  | 315                                  | 1,699                    |
| Provided for the year             | 134  | 106                                  | 240                      |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| At 31 March 2014                  | 1,518  | 421                                  | 1,939                    |
|                                   | <hr/>  | <hr/>                                | <hr/>                    |
| <b>CARRYING AMOUNTS</b>           |  |                                      |                          |
| At 31 March 2014                  | 94   | –                                    | 94                       |
|                                   | <hr/> <hr/>  | <hr/> <hr/>                          | <hr/> <hr/>              |
| At 31 March 2013                  | 213  | 106                                  | 319                      |
|                                   | <hr/> <hr/>  | <hr/> <hr/>                          | <hr/> <hr/>              |

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

At 31 March 2014, the cost of fully depreciated property, plant and equipment of the Group and the Company that is still in use amounted to HK\$14,749,000 (2013: HK\$13,618,000) and HK\$1,706,000 (2013: HK\$1,075,000) respectively.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 14. INVESTMENTS IN SUBSIDIARIES

|                                  | THE COMPANY      |                  |
|----------------------------------|------------------|------------------|
|                                  | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Unlisted shares, at cost         | 42,882           | 42,882           |
| Less: Impairment loss recognised | (1,749)          | (1,749)          |
|                                  | <u>41,133</u>    | <u>41,133</u>    |

Details of the principal subsidiaries at 31 March 2014 and 31 March 2013 are set out in note 32.

## 15. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured and interest-free except for amounts totalling HK\$434,169,000 (2013: HK\$476,383,000) which bear interest at a fixed rate of 1.5% (2013: 1.5%) per annum.

At 31 March 2014, the management determines that the amounts due from subsidiaries of HK\$432,877,000 (2013: HK\$474,674,000) 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.

## 16. AVAILABLE-FOR-SALE INVESTMENTS

|  | THE GROUP<br>AND<br>THE COMPANY |                  |
|--|---------------------------------|------------------|
|  | 2014<br>HK\$'000                | 2013<br>HK\$'000 |
| Equity securities listed in Hong Kong, at fair value | <u>27,391</u>                   | <u>31,914</u>    |

## 17. HELD-TO-MATURITY INVESTMENT

At 31 March 2014, the Group held an unsecured senior note denominated in Australian dollar with a principal amount of Australian dollar 1,000,000, equivalent to approximately HK\$7,215,000 (2013: HK\$8,164,000) issued by a financial institution, which bears interest at the fixed rate of 7.75% per annum receivable semi-annually. The note will mature on 23 November 2016.

The directors consider that the carrying amount of the note as at 31 March 2014 and 31 March 2013 approximates its fair value.

## 18. INVESTMENTS HELD FOR TRADING

|   | THE GROUP        |                  | THE COMPANY      |                  |
|---|------------------|------------------|------------------|------------------|
|   | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Equity securities listed in Hong Kong,<br>at fair value | <u>89,886</u>    | <u>73,769</u>    | <u>9,954</u>     | <u>13,860</u>    |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 19. TRADE AND OTHER RECEIVABLES

|                          | THE GROUP        |                  | THE COMPANY      |                  |
|--------------------------|------------------|------------------|------------------|------------------|
|                          | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Trade receivables        | 7,484            | 6,064            | –                | –                |
| Other receivables        | 942              | 702              | 240              | –                |
| Prepayments and deposits | 2,551            | 2,105            | 362              | 380              |
|                          | <u>10,977</u>    | <u>8,871</u>     | <u>602</u>       | <u>380</u>       |

The age analysis of trade customers of the Group presented based on the billing date, which approximates revenue recognition date, is as follows:

|                | THE GROUP        |                  |
|----------------|------------------|------------------|
|                | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Within 60 days | 6,867            | 5,479            |
| 61-90 days     | 612              | 558              |
| Over 90 days   | 5                | 27               |
|                | <u>7,484</u>     | <u>6,064</u>     |

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

The Group has 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. No interest was charged on the trade customers on the overdue balances during the years ended 31 March 2014 and 31 March 2013. 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.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HK\$617,000 (2013: HK\$585,000) and which are past due by 1 to 60 days at the reporting date for which the Group has not provided for impairment loss as 2 to 3 months deposits are received from these tenants as security for their performance under the tenancy agreements. The Group does not hold any collateral from its other customers.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 20. BANK AND OTHER DEPOSITS

|                                | THE GROUP        |                  | THE COMPANY      |                  |
|--------------------------------|------------------|------------------|------------------|------------------|
|                                | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Bank deposits                  | 135,149          | 62,022           | –                | 61,054           |
| Deposits with security brokers | 17,675           | 40,475           | –                | –                |
|                                | <u>152,824</u>   | <u>102,497</u>   | <u>–</u>         | <u>61,054</u>    |

The bank deposits are designated for treasury investment purpose.

Bank deposits and deposits with security brokers are carrying interest at varying rates ranging from 0.1% to 1.65% (2013: 0.01% to 3.45%) per annum.

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      |                  |
|-------------------------------|------------------|------------------|------------------|------------------|
|                               | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Bank deposits denominated in: |                  |                  |                  |                  |
| Australian dollar             | 278              | 41,871           | –                | 40,903           |
| United States dollar          | 777              | 777              | –                | –                |
|                               | <u>1,055</u>     | <u>42,648</u>    | <u>–</u>         | <u>40,903</u>    |

## 21. OTHER PAYABLES

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

|                     | THE GROUP        |                  | THE COMPANY      |                  |
|---------------------|------------------|------------------|------------------|------------------|
|                     | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Tenants' deposits   | 18,348           | 11,323           | –                | –                |
| Receipts in advance | 4,270            | 3,082            | –                | –                |
| Others              | 6,830            | 9,306            | 3,943            | 4,687            |
|                     | <u>29,448</u>    | <u>23,711</u>    | <u>3,943</u>     | <u>4,687</u>     |

## 22. AMOUNTS DUE TO SUBSIDIARIES

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 23. SHARE CAPITAL

|   | Number of shares | HK\$'000    |
|---|------------------|-------------|
| Authorised:   |                  |             |
| Ordinary shares of HK\$1 each   |                  |             |
| At 1 April 2012   | 200,000,000      | 200,000     |
| Increase during the year ( <i>Note 1</i> )                                | 300,000,000      | 300,000     |
|   | <hr/>            | <hr/>       |
| At 31 March 2013  | 500,000,000      | 500,000     |
| At 31 March 2014 ( <i>Note 2</i> )  | N/A              | N/A         |
|   | <hr/> <hr/>      | <hr/> <hr/> |
| Issued and fully paid:  |                  |             |
| Ordinary shares of HK\$1 each   |                  |             |
| At 1 April 2012, 31 March 2013 and 1 April 2013                           | 135,000,000      | 135,000     |
|   |                  |             |
| Transfer from share premium upon abolition of par value ( <i>Note 2</i> ) | –                | 43,216      |
|   | <hr/>            | <hr/>       |
| Ordinary shares with no par value   |                  |             |
| At 31 March 2014  | 135,000,000      | 178,216     |
|   | <hr/> <hr/>      | <hr/> <hr/> |

*Notes:*

1. Pursuant to an ordinary resolution passed on 13 August 2012, the authorised ordinary share capital of the Company was increased from HK\$200,000,000 to HK\$500,000,000 by creation of additional 300,000,000 ordinary shares of HK\$1 each in the capital of the Company.
2. In accordance with the provisions of the new Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company has no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 24. SHARE PREMIUM AND RESERVES

|  | Share<br>premium<br><i>HK\$'000</i> | Investment<br>revaluation<br>reserve<br><i>HK\$'000</i> | Retained<br>profits<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|-------------------------------------|---|--|--------------------------|
| <b>THE COMPANY</b>   |                                     |   |  |                          |
| At 1 April 2012  | 43,216                              | 8,155   | 564,665                                | 616,036                  |
| Fair value gain of available-for-sale<br>investments   | –                                   | 8,982   | –                                      | 8,982                    |
| Profit for the year  | –                                   | –   | 58,339                                 | 58,339                   |
| Total comprehensive income for the year  | –                                   | 8,982   | 58,339                                 | 67,321                   |
| Dividends paid ( <i>note 10</i> )  | –                                   | –   | (45,900)                               | (45,900)                 |
| At 31 March 2013   | 43,216                              | 17,137  | 577,104                                | 637,457                  |
| Fair value loss of available-for-sale<br>investments   | –                                   | (4,523)   | –                                      | (4,523)                  |
| Loss for the year  | –                                   | –   | (4,879)                                | (4,879)                  |
| Total comprehensive loss for the year  | –                                   | (4,523)   | (4,879)                                | (9,402)                  |
| Dividends paid ( <i>note 10</i> )  | –                                   | –   | (41,850)                               | (41,850)                 |
| Transfer upon abolition of par value<br>under the new Hong Kong<br>Companies Ordinance, Cap. 622 ( <i>Note</i> ) | (43,216)                            | –   | –                                      | (43,216)                 |
| At 31 March 2014   | –                                   | 12,614  | 530,375                                | 542,989                  |

*Note:* In accordance with the provisions of the new Hong Kong Companies Ordinance, Cap. 622, as from its commencement on 3 March 2014, the authorised share capital of a company and the par value of a company's shares were abolished. As a result, the Company has no longer has an authorised share capital and its shares ceased to have a par value as from 3 March 2014.

At the end of the reporting period, the Company's reserves available for distribution to owners amounted to HK\$389,262,000 (2013: HK\$435,991,000) which is analysed as follows:

|  | 2014<br><i>HK\$'000</i> | 2013<br><i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| The Company's retained profits as stated above       | 530,375                 | 577,104                 |
| Less: profit on transfer of property to a subsidiary | (141,113)               | (141,113)               |
|  | <u>389,262</u>          | <u>435,991</u>          |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 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:

|                                   | <b>Accelerated<br/>tax<br/>depreciation</b><br><i>HK\$'000</i> | <b>Tax losses</b><br><i>HK\$'000</i> | <b>Total</b><br><i>HK\$'000</i> |
|-----------------------------------|--|--------------------------------------|---------------------------------|
| At 1 April 2012                   | 46,171   | (236)                                | 45,935                          |
| Charge (credit) to profit or loss | 3,332  | (12)                                 | 3,320                           |
| At 31 March 2013                  | 49,503   | (248)                                | 49,255                          |
| Charge (credit) to profit or loss | 3,201  | (12)                                 | 3,189                           |
| At 31 March 2014                  | <u>52,704</u>  | <u>(260)</u>                         | <u>52,444</u>                   |

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

At 31 March 2014, the Group has unused tax losses of HK\$22,537,000 (2013: HK\$11,414,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of HK\$1,577,000 (2013: HK\$1,504,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK\$20,960,000 (2013: HK\$9,910,000) 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:

|                             | <b>THE GROUP</b>               |                                | <b>THE COMPANY</b>             |                                |
|-----------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|                             | <b>2014</b><br><i>HK\$'000</i> | <b>2013</b><br><i>HK\$'000</i> | <b>2014</b><br><i>HK\$'000</i> | <b>2013</b><br><i>HK\$'000</i> |
| Balance brought forward     | 3,046                          | 2,241                          | 849                            | 1,216                          |
| Additional provision        | 63                             | 1,054                          | –                              | 233                            |
| Utilisation during the year | (1,223)                        | (249)                          | (153)                          | (31)                           |
| Transfer to a subsidiary    | –                              | –                              | –                              | (569)                          |
| Balance carried forward     | <u>1,886</u>                   | <u>3,046</u>                   | <u>696</u>                     | <u>849</u>                     |

In addition to the provision for long service payments, the Group has contributed to the Mandatory Provident Fund Scheme for all employees commencing from 1 December 2000 and the amount charged for the year is HK\$472,000 (2013: HK\$482,000).



# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 27. OPERATING LEASE ARRANGEMENTS

*The Group as lessor:*

Property rental income earned during the year was HK\$96,280,000 (2013: HK\$84,030,000). The properties held have committed tenants for terms ranging from three 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      |                |
|---------------------------------------|----------------|----------------|
|                                       | 2014           | 2013           |
|                                       | HK\$'000       | HK\$'000       |
| Within one year                       | 70,023         | 71,835         |
| In the second to fifth year inclusive | 34,458         | 35,052         |
|                                       | <u>104,481</u> | <u>106,887</u> |

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

## 28. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company received a reimbursement of expenses amounting to HK\$240,000 (2013: 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.

## 29. 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 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

|  | THE GROUP     |               | THE COMPANY   |               |
|--|---------------|---------------|---------------|---------------|
|  | 2014          | 2013          | 2014          | 2013          |
|  | HK\$'000      | HK\$'000      | HK\$'000      | HK\$'000      |
| <b>Financial assets</b>                        |               |               |               |               |
| Loans and receivables                          | 238,825       | 214,954       | 700,934       | 699,018       |
| Available-for-sale investments                 | 27,391        | 31,914        | 27,391        | 31,914        |
| Investments held for trading                   | 89,886        | 73,769        | 9,954         | 13,860        |
| Held-to-maturity investment                    | 7,215         | 8,164         | –             | –             |
|  | <u>32,754</u> | <u>31,030</u> | <u>59,969</u> | <u>13,214</u> |
| <b>Financial liabilities at amortised cost</b> |               |               |               |               |
|  | <u>32,754</u> | <u>31,030</u> | <u>59,969</u> | <u>13,214</u> |

### 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. 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      |                  |
|-----------------------|------------------|------------------|------------------|------------------|
|                       | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Australian dollars    | 7,493            | 50,035           | –                | 40,903           |
| United States dollars | 777              | 777              | –                | –                |

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% (2013: 5%) rate increase or decrease in Hong Kong dollar against Australian dollar. 5% (2013: 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% (2013: 5%) change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollar weakened 5% (2013: 5%) against the relevant currencies. For a 5% (2013: 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      |                  |
|-------------------|------------------|------------------|------------------|------------------|
|                   | 2014<br>HK\$'000 | 2013<br>HK\$'000 | 2014<br>HK\$'000 | 2013<br>HK\$'000 |
| Australian dollar | 313              | 2,089            | –                | 1,708            |

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. 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 with interest at variable rate. The Group and the Company is also exposed to fair value interest rate risk in relation to held-to-maturity investment and amounts due from subsidiaries respectively with interest at fixed rate.

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

In view of the current low-interest rate environment, the management is of the opinion that the interest rate risk on bank deposits and amount due from subsidiaries are 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% (2013: 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% (2013: 10%) higher/lower:

- the Group's profit for the year ended 31 March 2014 would increase/decrease by HK\$7,505,000 (2013: HK\$6,160,000) 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 2014 would increase/decrease by HK\$831,000 (2013: HK\$1,157,000) 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% (2013: 10%) higher/lower, the Group's and the Company's investment revaluation reserve would increase/decrease by HK\$2,739,000 (2013: HK\$3,191,000) as a result of the changes in fair value of available-for-sale investments.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. 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 2014 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 has sound financial positions.

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   |               |
|                               | 2014                 | 2013          | 2014          | 2013          |
|                               | HK\$'000             | HK\$'000      | HK\$'000      | HK\$'000      |
| 0-1 year                      | 23,350               | 17,120        | 59,969        | 13,214        |
| 1-2 years                     | 6,283                | 9,794         | –             | –             |
| 2-5 years                     | 3,121                | 4,116         | –             | –             |
| Total undiscounted cash flows | <u>32,754</u>        | <u>31,030</u> | <u>59,969</u> | <u>13,214</u> |
| Carrying amounts              | <u>32,754</u>        | <u>31,030</u> | <u>59,969</u> | <u>13,214</u> |

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 30. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of financial instruments

The fair value measurement of the available-for-sale investments and investments held for trading which are listed securities in Hong Kong of HK\$27,391,000 (2013: HK\$31,914,000) and HK\$89,886,000 (2013: HK\$73,769,000), respectively, are derived from quoted prices in an active market.

The valuation of available-for-sale investments and investments held for trading are categorised in Level 1 of the fair value hierarchy with the fair value derived from quoted prices (unadjusted) in an active market for identical assets.

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values. The fair values of financial assets and liabilities included in the Level 3 category have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

## 31. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

### Critical judgements in applying accounting policies

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

#### a. *Held-to-maturity investment*

The directors of the Company have reviewed the Group's held-to-maturity investment in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity investments is HK\$7,215,000 (2013: HK\$8,164,000). Details of the asset are set out in note 17.

#### b. *Deferred taxation on investment properties*

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 31. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### Key sources of estimation uncertainty

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

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

At the end of the reporting period, the Group's investment properties are carried at a total fair value of HK\$2,667,400,000 (2013: HK\$2,534,400,000) based on the valuation performed by independent qualified professional valuers and the directors of the Company. The valuations were arrived at by reference to market evidence of recent transaction prices for similar properties and/or on the basis of discounted cash flow projections based on estimates of future rental income from properties using current market rentals and yields as inputs. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions. Favourable or unfavourable changes to these assumptions would result in changes in the fair value of the Group's investment properties and corresponding adjustments to the amount of gain or loss reported in 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\$101,460,000 (2013: HK\$108,196,000). 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\$7,484,000 (2013: HK\$6,064,000). 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.

#### d. *Fair value measurements and valuation processes*

The Group's investment properties are measured at fair value for financial reporting purposes. In estimating the fair value of an asset, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The directors of the Company work closely with the independent qualified professional valuers to establish the appropriate valuation techniques and inputs to the model. The directors of the Company regularly assess the impact and the cause of fluctuations in the fair value of the assets.

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of investment properties. Note 12 provides detailed information about the valuation techniques, inputs and key assumptions used in the determination of the fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2014

## 32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2014 and 31 March 2013 are as follows:

| Name of company                    | Place of incorporation/<br>registration | Issued and paid-up capital        | Proportion of nominal value of issued capital held by the Company |      | Principal activities                                  |
|------------------------------------|---|-----------------------------------|---|------|---|
|                                    |   |                                   | 2014  | 2013 |   |
| Safety Logistics Services Limited  | Hong Kong                               | HK\$10,000,000<br>Ordinary shares | 100%  | 100% | operating godown                                      |
| Chi Kee Investment Company Limited | Hong Kong                               | HK\$500,000<br>Ordinary shares    | 100%  | 100% | Property investment                                   |
| Chivas Godown Company Limited      | Hong Kong                               | HK\$10,000,000<br>Ordinary shares | 100%  | 100% | Holding and operating godown, and property investment |
| Gaylake Limited                    | Hong Kong                               | HK\$1,000<br>Ordinary shares      | 100%  | 100% | Property investment and holding godown                |
| Genlink Development Limited        | Hong Kong                               | HK\$2<br>Ordinary shares          | 100%  | 100% | Property investment                                   |
| Good Ready Investment Limited      | Hong Kong                               | HK\$2<br>Ordinary shares          | 100%  | 100% | Property investment                                   |
| Rich China Development Limited     | Hong Kong                               | HK\$2<br>Ordinary shares          | 100%  | 100% | Securities trading                                    |

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

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 2014 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<br>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)<br>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<br>Hong Kong                   | Medium-term lease | 100%                    | 430,000 and 101 car-parking spaces                      | Industrial/office |
| 1/F to 7/F of Chivas Godown<br>60 Ka Yip Street, Chai Wan, Hong Kong | Long-term lease   | 100%                    | 318,500   | Godown premises   |

