安全貨倉有限公司

SAFETY GODOWN CO LTD

年報 ANNUAL REPORT 2008

Stock Code 股份代號：237

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Lu Sin (Chairman and Managing Director)
Mr. Lui Chi Lung
Mr. Oen Min Tjin

Non-executive Directors
Mr. Lu Yong Lee
Mr. Lee Ka Sze, Carmelo

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

SECRETARY

Mr. Wong Leung Wai

BANKERS

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

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

STOCK CODE

237

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

REGISTERED OFFICE

19th Floor, Lu Plaza
2 Wing Yip Street
Kwun Tong
Kowloon
Hong Kong

REGISTRARS AND TRANSFER OFFICE

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

WEBSITE

http://www.safetygodown.com

KEY DATES

Final Results Announcement	11 July 2008
Annual General Meeting	22 August 2008
Closure of Register of Members	20 August 2008 to 22 August 2008 (both days inclusive)
Record Date for Final Dividend	22 August 2008
Payment of Final Dividend	on or about 29 August 2008

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Lu Sin, aged 89, is the founder of the Group (as defined below) and the Chairman and Managing Director of the Company. He is the chairman and managing director of Kian Nan Financial Limited, and the chairman and permanent managing director of Fu Nan Enterprises Company Limited, all being substantial shareholders of the Company. He is also the co-founder of Kian Nan Trading Co Limited. He has over 45 years experience in public godown operation, property development, textile industry and international trading. Mr. Lu is a Director of Renmin University of China, a Director of the Wuhan University, 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 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 a 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. Lui Chi Lung, Executive Director of the Company, and uncle of Mr. Lu Yong Lee, Non-executive Director of the Company.

Mr. Lui Chi Lung, aged 56, has been an Executive Director of the Company since 1990. Mr. Lui was a Director of Kian Nan Financial Limited, a substantial shareholder of the Company. Mr. Lui has over 30 years experience in public godown operation and textile industry. He is the son of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lu Yong Lee, Non-executive Director of the Company.

Mr. Oen Min Tjin, aged 71, 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 employed by Kian Nan Trading Co., Ltd. from 1961 to 1978. Mr. Oen was the Managing Director of ANTA Express from 1978 to 2005.

NON-EXECUTIVE DIRECTORS

Mr. Lu Yong Lee, aged 69, has been a Non-executive Director of the Company since 1989. He is also a director of Eaver Company Limited, Fu Nan Enterprises Company Limited and Kian Nan Financial Limited, all being substantial shareholders of the Company. Mr. Lu was a Director of SEA Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Lu has over 35 years experience in property development and international trading. Mr. Lu is the nephew of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lui Chi Lung, Executive Director of the Company.

Biographical Information of Directors

Mr. Lee Ka Sze, Carmelo, aged 48, has been a Director of the Company since 2000. Mr. Lee acted as an Independent Non-executive Director from 1 July 2000 to 28 September 2004 and has been a Non-executive Director since 28 September 2004. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a Non-executive Director of several listed public companies in Hong Kong, namely China Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited, Hopewell Holdings Limited and Taifook Securities Group Limited. Mr. Lee is also an Independent Non-executive Director of KWG Property Holding Limited, another listed public company in Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 62, 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 56, 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 60, 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 37 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 practising as a partner in Tang and Fok.

Chairman's Statement

PROFIT FOR THE YEAR

The Group reported a profit attributable to shareholders of HK$161,683,000 for the year ended 31 March 2008, which represents a decrease of 13.4% against the amount of HK$186,705,000 in last year.

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 HK8 cents per share, amounting to HK$10,800,000 for the year ended 31 March 2008, to shareholders whose names appear on the register of members on 22 August 2008 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final and special dividend will be despatched to shareholders on or about 29 August 2008. Together with the interim dividend of HK7 cents per share and a special interim dividend of HK3 cents per share already paid, the total distribution for the year ended 31 March 2008 will be HK25 cents per share. Total distribution for the previous year was HK22 cents per share.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 20 August 2008 to Friday, 22 August 2008, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final 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, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 19 August 2008.

BUSINESS REVIEW

Godown operation

The economies of China and the US continued to grow during the first half of 2007. China's economy in particular has maintained a strong and healthy momentum, providing Hong Kong with stimulative growth in business opportunities. With a flourishing employment market, income of the working population improved and the quality of living in Hong Kong continued to improve. Hong Kong's financial conditions remained solid, benefiting the Group's godown business over the first half of 2007.

During the second half of the year, numerous economic issues surfaced following the meltdown of the US subprime mortgage industry. The international market suffered from the credit crunch, and the continual deflation in property prices and financial assets contributed to diminishing imports of Chinese products by the US and European countries. With surging petrol and raw material prices, manufacturing costs became much higher in the mainland. In response to the appreciation of the RMB, the Chinese Government imposed tighter currency policies and strengthened its adjustment and control measures to combat inflation. Manufacturers are receiving fewer orders, creating pressure for Hong Kong's godown industry.

Chairman's Statement

In addition, the Group continued to expand its leasing spaces in Chivas Godown while reducing its spaces for godown operation, and consequently revenue derived from godown division decreased compared with last year's.

Property investment

Revenue from property investment division increased as a result of increased rental space at Chivas Godown. The Group's prime investment property, Lu Plaza, maintained an occupancy rate of over 90% over the year. Rental rates from both new lettings and renewed leases gradually rose benefiting from the favourable environment of the leasing market. The Group recorded certain growth in rental income this year.

OUTLOOK

Godown operation

With the considerable economic slowdown in Europe and the US, fluctuations in the investment market are inevitable. The upward trend in interest rates and the soaring oil price will also have an impact on Hong Kong's exports. Commodity prices in the mainland continue to surge, imposing continued pressure on inflation. Manufacturers are inevitably affected by increases in costs, resulting in their increasing cautiousness in accepting orders. The situation is further complicated by the competition faced by Hong Kong's logistics industry from the Pearl River Delta and the "Three Links" soon to be fully implemented across the Taiwan Straits. The demand for Hong Kong's entrepot trade is expected to decrease, causing a negative impact on the godown industry. We are taking a prudent stance with regard to the outlook of the godown business for next year. To adapt to the new environment, the Group will further upgrade its godown facilities and improve its quality of service, while exploring other modes of operation to maintain a steady flow of revenue.

Property investment

With factors such as the continually appreciation in RMB and the launch of the new labour laws in the mainland, manufacturers will face higher pressure on their operations. Leasing business in industrial premises may not enjoy as good a run as this year. With a number of commercial buildings due for completion in East Kowloon for the year 2008/2009, the supply of office space will see a significant increase, creating pressure on the leasing business of Lu Plaza. Accordingly, the Group will improve the hardware and facilities of the building to enhance its competitiveness in the neighbourhood, in order to secure its existing customer base and to explore new sources of tenants to maintain a steady rental income for the Group.

Lu Sin
Chairman

Hong Kong, 11 July 2008

Five Year Financial Summary

	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*	2004 *HK$'000*
Consolidated Income Statement					
Turnover					
Godown operation	**26,507**	30,797	30,769	30,944	27,660
Investment property	**66,981**	58,540	51,816	50,520	55,000
Treasury investment	**6,513**	5,802	4,232	2,332	21,226
	100,001	95,139	86,817	83,796	103,886
Profit attributable to shareholders					
Godown operation	**7,785**	12,850	12,514	12,266	12,230
Investment property	**151,897**	191,833	177,267	124,592	39,273
Treasury investment	**37,916**	24,009	17,802	14,061	10,354
Unallocated corporate expenses	**(4,864)**	(5,035)	(6,417)	(5,735)	(5,487)
Gain on deregistration of a subsidiary	**996**	–	–	–	–
Finance costs	**–**	–	(134)	(242)	(769)
Profit before taxation	**193,730**	223,657	201,032	144,942	55,601
Taxation	**(32,047)**	(36,952)	(33,605)	(26,025)	(5,535)
Profit for the year attributable to shareholders	**161,683**	186,705	167,427	118,917	50,066
Consolidated Balance Sheet					
Total assets	**1,681,559**	1,450,411	1,272,149	1,099,042	961,395
Total liabilities	**(199,282)**	(158,073)	(135,276)	(129,877)	(75,314)
Shareholders' funds	**1,482,277**	1,292,338	1,136,873	969,165	886,081
Per Share					
Earnings per share	**HK$1.20**	HK$1.38	HK$1.24	HK$0.88	HK$0.37
Dividends per share	**25 cents**	22 cents	16 cents	14 cents	11 cents
Dividend payout ratio *(Note 2)*	**40.51%**	42.95%	37.76%	41.50%	29.66%
Net asset value per share	**HK$10.98**	HK$9.57	HK$8.42	HK$7.18	HK$6.56
Ratios					
Return on average shareholders' funds	**11.65%**	15.4%	15.9%	12.8%	5.91%
Current ratio	**7.22:1**	6.01:1	3.01:1	1.58:1	1.02:1
Gearing ratio *(Note 3)*	**–**	–	–	1.82%	2.47%

Notes:

1. Figures for each of the four years ended 31 March 2008 are stated in accordance with current accounting standards. Figures for 2004 have not been restated in accordance with current accounting standards as it would involve delay and expenses out of proportion to the benefits to shareholders.

2. For consistent comparison with previous years, the dividend payout ratio for years 2005 to 2008 is calculated based on the total dividend distribution including the interim dividend paid and special interim dividend (if any) and final and special dividends proposed for the year and the profit for the year attributable to shareholders after adjusting the effect on fair value changes in investment properties and the corresponding deferred tax adjustments.

3. Gearing ratio is calculated at the ratio of total interest bearing loans to total assets of the Group at balance sheet date.

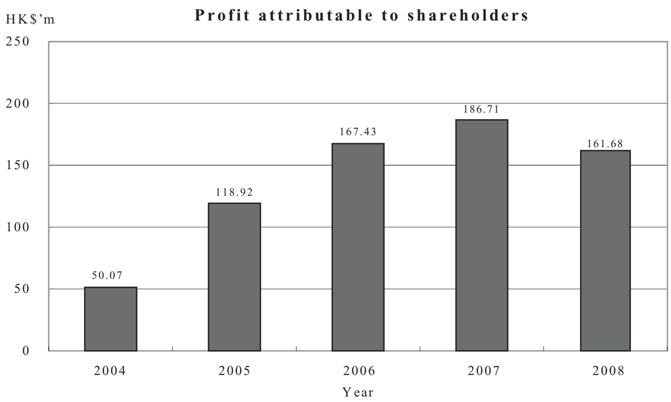
Management Discussion and Analysis

CONSOLIDATED FINANCIAL RESULTS

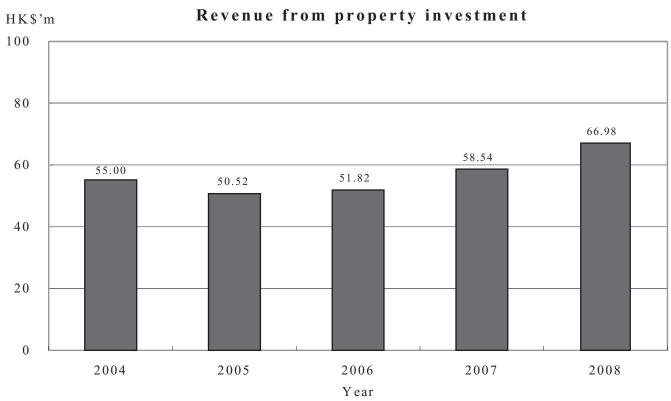
The Group recorded a total revenue of HK$100,001,000 for the year ended 31 March 2008. This represents an increase of 5.11% or HK$4,862,000 on the figure of HK$95,139,000 achieved in the previous financial year. Most of the increment in revenue was attributable to the rise in rental income for the year.

GROUP'S PROFIT AND SEGMENT RESULTS

The Group's profit before tax for the year amounted to HK$193,730,000. This represents a decrease of 13.38% or HK$29,927,000 measured against the figure of HK$223,657,000 last year. The decrease was mainly attributed to the decrease in fair value gain on investment properties of HK$47,500,000 compared to last year. Profit before taxation excluding the fair value gain on investment properties amounted to HK$98,730,000, an increase of 21.65% or HK$17,573,000 in profit in contrast to HK$81,157,000 recorded in the preceding year.



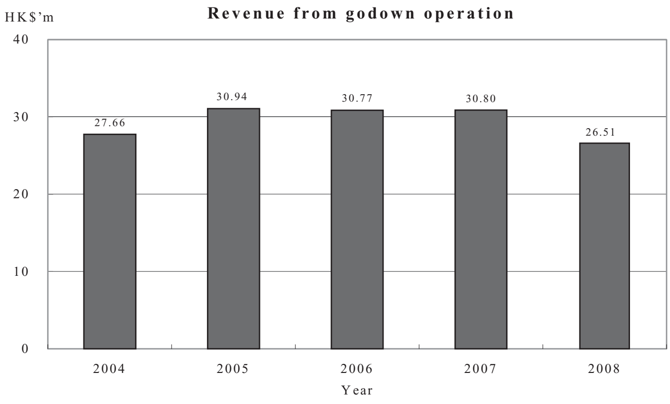
Following the strong growth from 2004 to 2007, profit attributable to shareholders adjusted to HK$161,683,000 this year. The drop in fair value gain on investment properties mainly accounted for the adjustment.



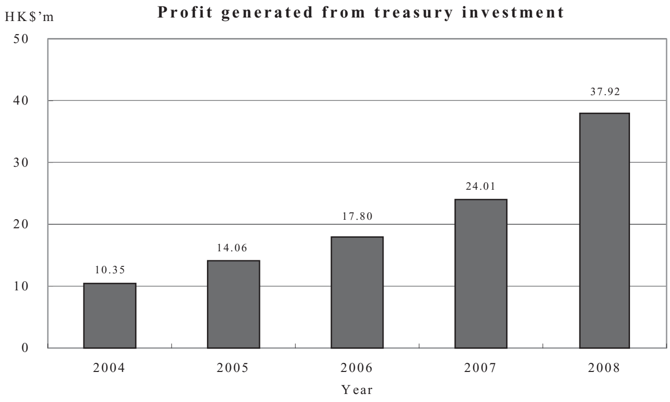
The property investment segment accounted for the largest proportion of the Group's total revenue for the year. Revenue generated from property investment division totalled HK$66,981,000, an increase of 14.42% on the HK$58,540,000 achieved in the previous year. Segment profit in property investment (excluding the fair value gain on investment properties) amounted to HK$56,897,000, representing an increase of 15.33% on the HK$49,333,000 recorded last year.

Management Discussion and Analysis

GROUP'S PROFIT AND SEGMENT RESULTS (Continued)



The crises in the US housing and credit markets, combined with soaring fuel and food prices in the second half of the year had an adverse impact on godown business. In response to the change in market conditions, the Group had transformed part of the godown space in Chivas Godown into a rental property to increase rental income of the Group. Therefore, revenue from godown operation dropped by 13.93% while segment profit decreased by 39.42% compared to last year.



The Group's treasury investment benefited from the booming Hong Kong's stock market in 2007. Profit generated from the treasury investment segment increased by 57.92% to HK$37,916,000. The Group maintained a disciplined investment management policy throughout the year. Since the credit crisis emerged, the Group has taken a more prudent approach in securities investment to reduce market risk associated with the volatility of the market.

During the year, the Group realised part of its available-for-sale investments resulting in a net realised gain of HK$11,419,000 (2007: HK$10,986,000). As at 31 March 2008, the market value of the Group's available-for-sale investment portfolio reduced by 27.75% from HK$45,669,000 to HK$32,997,000. The market value of the investment portfolio held for trading also reduced by 48.62% from HK$21,519,000 to HK$11,056,000 resulting from disposal of part of the portfolio and changes in prices of the underlying securities.

Other than securities trading, the Group also captured a foreign exchange gain of HK$8,823,000 (2007: nil) on foreign currencies deposits held by the Group. The gain was recorded as other income in the consolidated income statement.

Management Discussion and Analysis

OPERATING EXPENSES

The Group's operating expenses totalled HK$35,726,000 (2007: HK$35,377,000), which was stable compared with the corresponding period. Total staff costs accounted for HK$21,487,000, an increase of 5.88% over the amount of HK$20,294,000 recorded in previous year. No finance cost was incurred by the Group as there were no bank borrowings during the year.

FINANCIAL POSITION

As at 31 March 2008, the net asset value of the Group amounted to HK$1,482,277,000 or HK$10.98 per share, representing an increase of HK$189,939,000 or 14.70% from that on 31 March 2007. The Group maintained a high current ratio throughout the year. As at 31 March 2008, the current ratio was 7.22, an increase of 20% compared to that of 6.01 on the same date in 2007.

Total current assets held by the Group at the year end soared to HK$255,631,000, an increase of 43.78% over the figure of HK$177,791,000 in last year. The Group's bank balances and cash totalled HK$235,936,000, an increase of 63.39% against last year.

Total current liabilities of the Group as at 31 March 2008 was maintained at a low level of HK$35,389,000 (2007: HK$29,562,000). During the year, the Group had no bank borrowings. The primary source of financing for its operations was the cash flow generated from operating activities. Net cash generated from operating activities during the year amounted to HK$98,855,000 (2007: HK$66,569,000).

Management Discussion and Analysis

DIVIDEND POLICY

It is the company's intention to provide shareholders with relatively consistent dividend income over the long term. The Group maintained a dividend payout ratio of over 25% of the profit for the year after adjusting the effect on fair value changes in investment properties and the corresponding deferred tax adjustments. Dividend payout ratio based on the adjusted profit as aforesaid are as follows:-

	2008	2007	2006	2005	2004
Dividend per share	**25 cents**	22 cents	16 cents	14 cents	11 cents
Dividend payout ratio	**40.51%**	42.95%	37.76%	41.50%	29.66%

PLEDGE OF ASSETS

At 31 March 2008, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK$1,078,700,000 (2007: HK$1,015,000,000) and HK$5,143,000 (2007: HK$5,333,000), respectively, to banks to secure general banking facilities to the extent of HK$72,000,000 (2007: HK$72,000,000) granted to the Group. At 31 March 2007 and 2008, no such facilities were utilised by the Group.

EMPLOYEES

As at 31 March 2008, the Group employed 78 employees. Total staff costs amounted to approximately HK$21,487,000 for the year ended 31 March 2008 (2007: HK$20,294,000). Staff costs represented 60.14% (2007: 57.36%) of the total operating expenses of the Group. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group. The Group does not have any share option scheme for employees.

Management Discussion and Analysis

FINANCIAL RISK EXPOSURE AND MANAGEMENT

Certain bank balances of the Group are denominated in foreign currencies which are different from the functional currency of the entity to which they relate, that is, Hong Kong dollars, and therefore the Group is 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 Group is 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 equity price risk are mainly concentrated on equity instruments of entities operating in property industry sector listed in The Stock Exchange of Hong Kong Limited (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.

In the opinion of the Directors, the credit risk, liquidity risk and the interest rate risk arising from the business operation are not considered as material as the Group does not have any concentration of trade receivables and interest-bearing loan. Investments and cash transactions are executed with counterparties with high credit ratings.

CONTINGENT LIABILITIES

As at 31 March 2008, the Group did not have any significant contingent liabilities.

Corporate Governance Report

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

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the 'Code') as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 March 2008 except for the deviations from the code provisions A.2.1 and A.4.1. Further explanations are set out below.

THE BOARD

The Board has the overall responsibility for leadership and control of the Company. It is responsible for promoting the success of the Company by directing and supervising the Company's affairs. The management of the Company is responsible for the overseeing of the day-to-day operations of the Group under the leadership of the Chief Executive Officer.

The Board is composed of three Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. More than one-third of the Board members are Independent Non-executive Directors which enable the Board to exercise independent judgement effectively. The composition of the Board is shown on page 14 under the subject Board Meeting. Biographies of the Directors which include relationship among members of the Board are set out on pages 3 to 4 under the subject Biographical Information of Directors.

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.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term. All Non-executive Directors are appointed with no specific term which is a deviation from provision A.4.1 of the Code. However, 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.

None of the Directors has entered or proposed to enter into any service contracts with the Company or its subsidiaries, and none of the Directors has entered into any service contracts with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

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.

The Company has arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Company.

Corporate Governance Report

BOARD MEETINGS

Board meetings are held at least four times a year. Additional Board meetings will be held when necessary. Such Board meetings involve active participation, either in person or through other electronic means of communication, of a majority of Directors. During the year, a total of four meetings were held, details of Directors' attendance records are as follows:-

Composition of the Board	Number of meetings attended/held
Executive Directors	
Lu Sin *(Chairman and Managing Director)*	4/4
Lui Chi Lung	4/4
Oen Min Tjin	4/4
Non-executive Directors	
Lu Yong Lee	0/4
Lee Ka Sze, Carmelo	3/4
Independent Non-executive Directors	
Gan Khai Choon	4/4
Lam Ming Leung	4/4
Leung Man Chiu, Lawrence	4/4

Directors are consulted on matters to be included in the agenda for Board meetings. Directors have access to the advice and services of the Company secretary to ensure that Board meeting procedures and all applicable rules and regulations are followed.

At least 14 days formal notice would be given before each regular meeting is held. For special meetings, reasonable notice is given.

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.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

Corporate Governance Report

REMUNERATION AND NOMINATION COMMITTEE

The Company has established a Remuneration and Nomination Committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members are Independent Non-executive Directors. The Committee comprises the Chairman of the Company, Mr. Lu Sin, two Independent Non-executive Directors, namely Mr. Lam Ming Leung and Mr. Leung Man Chiu, Lawrence and one Non-executive Director Mr. Lee Ka Sze, Carmelo.

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

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

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

Name	**Number of meetings attended/held**
Lu Sin	1/1
Lee Ka Sze, Carmelo	1/1
Lam Ming Leung	1/1
Leung Man Chiu, Lawrence	1/1

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

(a) re-election of Mr. Lu Sin, Mr. Oen Min Tjin and Mr. Gan Khai Choon, directors of the Company to be proposed for shareholders' approval at the Annual General Meeting 2008;

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

(c) annual salary review for 2008 for all staff;

(d) senior executives bonus;

(e) staff cost budget; and

(f) Directors' fees and fees for members of the Audit Committee and Remuneration and Nomination Committee.

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

Corporate Governance Report

AUDIT COMMITTEE

It is the responsibility of the Board to establish formal and transparent arrangements for considering how it will apply the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's auditors.

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.

The Audit Committee comprises 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.

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

Name	**Number of meetings attended/held**
Gan Khai Choon	2/2
Lee Ka Sze, Carmelo	1/2
Lam Ming Leung	2/2
Leung Man Chiu, Lawrence	2/2

Minutes of the Audit Committee are circulated to members of the Audit Committee within a reasonable time after each meeting for their comment and record.

No member of the Audit Committee is a former partner of the existing auditing firm of the Company during the one year after he ceases to be a partner of the auditing firm.

The Audit Committee has performed the following work during the year:

(i) reviewed and recommended to the Board for approval the unaudited interim financial statements for the six months ended 30 September 2007;

(ii) reviewed and discussed with management and external auditors the audited financial statements for the year ended 31 March 2008;

(iii) reviewed the Group's internal control and risks management processes;

(iv) reviewed, in conjunction with the auditors, the development of accounting standards and assessed their potential impacts on the Group's financial statements;

(v) reviewed and considered the terms of engagement of the external auditors including assessing their independence and objectivity; and

(vi) reviewed Compliance with the Code.

Corporate Governance Report

AUDIT COMMITTEE (Continued)

All matters raised by the Audit Committee have been addressed by 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.

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 2009. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 22 August 2008.

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

Nature of services	**2008**	2007
	HK$	*HK$*
Review fee for interim results	**110,000**	103,000
Audit fee for final results	**698,000**	670,000
Taxation consultancy services fee	**74,000**	70,500
Total audit and non-audit services	**882,000**	843.500

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility for preparing the accounts which give a true and fair view of the state of affairs of the Company and of the Group and of the profit and cash flows for the year ended 31 March 2008 in accordance with the Companies Ordinance. The Directors have prepared the accounts on a going concern basis, and have selected appropriate accounting policies and applied them consistently, with applicable disclosures required under the Listing Rules and pursuant to statutory requirements.

The statement issued by the auditors of the Company regarding their reporting responsibilities is set out in detail in the Independent Auditor's Report on page 24.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness in accordance with the code provision C.2 of the Listing Rules. 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.

Corporate Governance Report

INTERNAL CONTROL (Continued)

During the year, the Group has conducted an annual review of its system of internal control. The review covered relevant financial, operational and compliance controls and risk management functions. The Board has concluded that the Group's overall system of internal controls has effectively exercised its functions during the year, and will continue to improve the operation of the system.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding directors' securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard as set out in the Model Code during the year ended 31 March 2008.

INVESTOR RELATIONS

The Company is keen to promote two-way communications both with its institutional and its private investors. The Annual General Meeting ("AGM") is the principal occasion at which the Chairman and Directors may interface directly with the shareholders. An AGM circular is distributed to all shareholders at least 21 days prior to the AGM, setting out details of each proposed resolution, voting procedures (including procedures for demanding and conducting a poll) and other relevant information. Most of the Directors are usually present at the AGM to which all shareholders are invited and during which they have the opportunity to raise questions with the Board.

SOCIAL SERVICES

Active involvement in community services is one of our objects. We continue to take part in various social and charity events in the community and in schools, which include sponsoring the Hong Kong Synergy 24 Drum Competition organised by the Hong Kong Chinese Orchestra for the promotion of Chinese arts and culture; holding a blood donation day with the Hong Kong Red Cross; supporting the "Skip-A-Meal" held by the World Vision; participating in ORBIS Pin Day fundraising campaign; and visiting elderly service centres.

As a result of our efforts, we have been awarded the "Caring Company" logo by the Hong Kong Council of Social Service once again in recognition of our corporate citizenship and contribution to social development.

The Company has become a member of the Green Cross Group of the Occupational Safety and Health Council.

Lu Sin
Chairman

Hong Kong, 11 July 2008

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 2008.

PRINCIPAL ACTIVITIES

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

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2008 are set out in the consolidated income statement on page 25.

An interim dividend of HK7 cents per share, amounting to HK$9,450,000 and a special interim dividend of HK3 cents per share amounting to HK$4,050,000 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 HK8 cents per share, amounting to HK$10,800,000, to the shareholders whose names appear on the register of members on 22 August 2008, and the retention of the remaining profit for the year of HK$127,933,000.

Other movements in reserves are set out in the consolidated statement of changes in equity on page 27.

INVESTMENT PROPERTIES

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

DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2008, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$550,121,000 (2007: HK$546,395,000). Details of the Company's distributable reserves are set out in note 24 to the 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. Lui Chi Lung
Mr. Oen Min Tjin

DIRECTORS (Continued)

Non-executive directors
Mr. Lu Yong Lee
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. Lu Sin, Mr. Oen Min Tjin and Mr. Gan Khai Choon 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 2008 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 2008, 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 371 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 Companies, were as follows:

	Number of issued ordinary shares of the Company held (long position)				Percentage of issued share capital of the Company
Name of director	**Personal interests**	**Family interests** *(Note 1)*	**Corporate interests** *(Note 2)*	**Total**	
Mr. Lu Sin	4,400,000	2,589,500	59,553,445	66,542,945	49%
Mr. Lui Chi Lung	947,884	–	–	947,884	1%
Mr. Lam Ming Leung	10,000	–	–	10,000	–

Notes:

1. Mr. Lu Sin was deemed to be interested in these 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung personally.

DIRECTORS' INTERESTS IN SECURITIES (Continued)

2. Mr. Lu Sin was deemed to be interested in these 59,553,445 shares which comprise:-

   (i) 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 63.27% held by Lusin and Company Limited which in turn was 70% controlled by Mr. Lu Sin;

   (ii) 2,000,000 shares held through Lusin and Company Limited which was 70% controlled by Mr. Lu Sin; and

   (iii) 10,350,000 shares held through Earngold Limited of which Mr. Lu Sin and his spouse, Ms. Chan Koon Fung, indirectly owned in aggregate 50% of the issued share capital.

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 2008.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 29 to the 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 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

	Number of issued ordinary shares held		Percentage of issued share capital
Name of substantial shareholder	**Direct interest**	**Indirect interest**	**of the Company**
Eaver Company Limited	2,007,628	47,203,445 *(Note 1)*	36%
Lusin and Company Limited	2,000,000	47,203,445 *(Note 1)*	36%
Kian Nan Financial Limited	47,203,445	–	35%
Fu Nan Enterprises Company Limited	11,999,661	–	9%
Earngold Limited	10,350,000	–	8%

SUBSTANTIAL SHAREHOLDERS (Continued)

Notes:

1. Eaver Company Limited and Lusin and Company Limited were deemed to be interested in 47,203,445 shares of the Company by virtue of their 34.73% and 63.27% shareholding in Kian Nan Financial Limited respectively.

2. Ms. Chan Koon Fung, the spouse of Mr. Lu Sin, was taken to be interested in a total of 66,542,945 shares of the Company, representing approximately 49% of the issued shares of the Company, which comprise her personal interest and Mr. Lu Sin's interests in the shares of the Company as disclosed in the section headed "Directors' Interests in Securities" above.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 March 2008.

MAJOR CUSTOMERS AND SUPPLIERS

Aggregate sales attributable to the Group's five largest customers were less than 30% of the Group's total turnover.

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

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

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.

Directors' Report

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2008.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$174,000.

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 2008 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 13 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 Sin
Chairman

Hong Kong, 11 July 2008

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 25 to 62, which comprise the consolidated and the Company's balance sheets as at 31 March 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 and true and fair presentation of the consolidated financial statements 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 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 11 July 2008

Consolidated Income Statement

For the year ended 31 March 2008

	Notes	2008 *HK$'000*	2007 *HK$'000*
Turnover	4	100,001	95,139
Income from godown operations		26,507	30,797
Income from property investment		66,981	58,540
Gains on investments			
Fair value gain on investments held for trading		11,404	7,730
Gain on disposals of available-for-sale investments		11,419	10,986
Interest income		5,049	2,975
Dividend income		1,464	2,827
Other income		11,632	2,679
Increase in fair value of investment properties		95,000	142,500
Staff costs		(21,487)	(20,294)
Depreciation of property, plant and equipment		(2,827)	(3,595)
Release of prepaid lease payments		(412)	(441)
Other expenses		(11,000)	(11,047)
Profit before taxation	8	193,730	223,657
Taxation	9	(32,047)	(36,952)
Profit for the year attributable to shareholders		161,683	186,705
Dividends	10		
Paid		33,750	21,600
Proposed		20,250	20,250
Earnings per share – Basic	11	HK$1.20	HK$1.38

Balance Sheets

At 31 March 2008

	Notes	THE GROUP 2008 HK$'000	THE GROUP 2007 HK$'000	THE COMPANY 2008 HK$'000	THE COMPANY 2007 HK$'000
Non-current assets					
Investment properties	12	1,372,200	1,189,500	–	–
Property, plant and equipment	13	10,014	16,176	539	654
Prepaid lease payments	14	10,717	21,275	–	–
Investments in subsidiaries	15	–	–	30,031	30,031
Available-for-sale investments	16	32,997	45,669	32,997	45,669
		1,425,928	1,272,620	63,567	76,354
Current assets					
Prepaid lease payments	14	227	441	–	–
Investments held for trading	17	11,056	21,519	11,056	21,515
Trade and other receivables	18	7,866	10,359	3,328	3,230
Amounts due from subsidiaries	19	–	–	622,531	683,467
Tax recoverable		546	1,074	–	1,068
Bank balances and cash	20	235,936	144,398	229,587	117,926
		255,631	177,791	866,502	827,206
Current liabilities					
Other payables	22	31,142	27,909	5,507	5,313
Amounts due to subsidiaries	22	–	–	32,476	9,758
Tax payable		4,247	1,653	2,791	–
		35,389	29,562	40,774	15,071
Net current assets		220,242	148,229	825,728	812,135
		1,646,170	1,420,849	889,295	888,489
Capital and reserves					
Share capital	23	135,000	135,000	135,000	135,000
Reserves	24	1,347,277	1,157,338	752,670	751,813
		1,482,277	1,292,338	887,670	886,813
Non-current liabilities					
Deferred tax liabilities	25	161,356	126,236	–	–
Provision for long service payments	26	2,537	2,275	1,625	1,676
		163,893	128,511	1,625	1,676
		1,646,170	1,420,849	889,295	888,489

The financial statements on pages 25 to 62 were approved and authorised for issue by the Board of Directors on 11 July 2008 and are signed on its behalf by:

Lu Sin
Director

Oen Min Tjin
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2008

	Share capital	Share premium	Investment revaluation reserve	Property revaluation reserve	Translation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	135,000	43,216	19,323	–	403	938,931	1,136,873
Revaluation increase recognised	–	–	754	–	–	–	754
Exchange differences arising on translation of a foreign operation	–	–	–	–	592	–	592
Total income recognised directly in equity	–	–	754	–	592	–	1,346
Profit for the year	–	–	–	–	–	186,705	186,705
Transfer to profit or loss upon disposal of available-for-sale investments	–	–	(10,986)	–	–	–	(10,986)
Total recognised (expenses) income for the year	–	–	(10,232)	–	592	186,705	177,065
Dividends paid	–	–	–	–	–	(21,600)	(21,600)
At 31 March 2007	135,000	43,216	9,091	–	995	1,104,036	1,292,338
Revaluation increase recognised	–	–	12,978	–	–	–	12,978
Revaluation surplus on transfer of owner-occupied property to investment properties	–	–	–	74,475	–	–	74,475
Deferred tax on revaluation surplus on transfer of owner-occupied property to investment properties	–	–	–	(13,033)	–	–	(13,033)
Total income recognised directly in equity	–	–	12,978	61,442	–	–	74,420
Profit for the year	–	–	–	–	–	161,683	161,683
Transfer to profit or loss upon disposal of available-for-sale investments	–	–	(11,419)	–	–	–	(11,419)
Released upon deregistration of a foreign operation	–	–	–	–	(995)	–	(995)
Total recognised income (expenses) for the year	–	–	1,559	61,442	(995)	161,683	223,689
Dividends paid	–	–	–	–	–	(33,750)	(33,750)
At 31 March 2008	135,000	43,216	10,650	61,442	–	1,231,969	1,482,277

Consolidated Cash Flow Statement

For the year ended 31 March 2008

	2008 *HK$'000*	2007 *HK$'000*
Operating activities		
Profit before taxation	193,730	223,657
Adjustments for:		
Interest income	(5,049)	(2,975)
Increase in fair value of investment properties	(95,000)	(142,500)
Fair value gain on investments held for trading	(4,290)	(2,715)
Gain on disposal of available-for-sale investments	(11,419)	(10,986)
Reversal of provision for legal claims	–	(727)
Depreciation of property, plant and equipment	2,827	3,595
Release of prepaid lease payments	412	441
Impairment loss recognised on trade receivables	61	–
Gain on disposal of property, plant and equipment	(313)	(84)
Gain on deregistration of a subsidiary	(996)	–
Provision for long service payments	778	410
Operating cash flows before movements in working capital	80,741	68,116
Decrease in trade and other receivables	2,431	4,452
Decrease in investments held for trading	14,753	5,869
Increase in other payables	3,235	1,550
Decrease in provision for legal claims	–	(8,945)
Decrease in provision for long service payments	(516)	(106)
Cash generated from operations	100,644	70,936
Interest received	5,049	2,975
Income tax paid	(6,838)	(7,342)
Net cash from operating activities	98,855	66,569
Investing activities		
Purchase of property, plant and equipment	(334)	(1,340)
Purchase of available-for-sale investments	–	(1,140)
Proceeds on disposal of available-for-sale investments	25,650	25,414
Proceeds on disposal of property, plant and equipment	1,117	105
Net cash from investing activities	26,433	23,039
Cash used in financing activity		
Dividends paid	(33,750)	(21,600)
Net increase in cash and cash equivalents	91,538	68,008
Cash and cash equivalents at beginning of the year	144,398	75,842
Effect of foreign exchange rate changes	–	548
Cash and cash equivalents at end of the year, represented by bank balances and cash	235,936	144,398

1. GENERAL INFORMATION

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

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

The 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

In the current year, the Group and the Company have applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are effective for the Group's and the Company's financial year beginning 1 April 2007.

HKAS 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC) – Int 8	Scope of HKFRS 2
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment
HK(IFRIC) – Int 11	HKFRS 2: Group and Treasury Share Transactions

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of the new HKFRSs. However, as a result of the adoption of HKFRS 7 "Financial Instruments: Disclosures" and the amendment to HKAS 1 "Capital Disclosures", there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32 "Financial Instruments: Disclosure and Presentation". These disclosures are provided throughout these financial statements, in particular in note 31.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 30.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial instruments.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

The application of the remaining new HKFRSs has had no material effect on how the financial statements for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group and the Company have not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective. The Directors of the Company are in the process of assessing the potential impact and so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group and the Company.

HKAS 1 (Revised)	Presentation of Financial Statements[1]
HKAS 23 (Revised)	Borrowing Costs[1]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[2]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[1]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[1]
HKFRS 3 (Revised)	Business Combinations[2]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[3]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[4]
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction[3]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 July 2009

[3] Effective for annual periods beginning on or after 1 January 2008

[4] Effective for annual periods beginning on or after 1 July 2008

3. SIGNIFICANT ACCOUNTING POLICIES

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

Statement of compliance

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation of financial statements

The consolidated financial statements for the year ended 31 March 2008 comprise the Company and its subsidiaries.

The preparation of 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 year are discussed in note 32.

Subsidiaries

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

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

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

In the Company's balance sheet, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill represents the excess of the cost of a business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination is recognised immediately in profit or loss.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

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

For income from investment properties, please see accounting policy headed by "Leasing" below.

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

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.

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 or at fair value upon the transfer from property, plant and equipment and prepaid lease payments, 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

If an item of property, plant and equipment and the relevant prepaid lease payments becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer 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 or no future economic benefits are expected from its disposals. 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 the consolidated income statement in the year in which the item is derecognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation is provided to write off the cost of the items of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method.

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 derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Impairment of tangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet 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 and 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 financial assets are classified into one of the three categories, including financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. 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 on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debts instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL comprise 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 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.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables 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).

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.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are 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 adversely impacted.

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 or 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 subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of 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 in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

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 through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. 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 directly in equity is recognised in profit or loss.

Financial liabilities are derecognised 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 its 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 each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet 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 translation 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 differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (that is Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement 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 liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Leasing

The Group as lessor

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.

Rental income from operating leases is recognised in the consolidated income statement on a straight line basis over the term of the relevant lease.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leasehold land and building

The land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. To the extent that the allocation of the lease payments between the land and buildings elements can be made reliably, the leasehold interests in land are classified as prepaid lease payments under operating leases, which are carried at cost and released to profit or loss over the lease term on a straight-line basis. Where the allocation between the land and buildings elements cannot be made reliable, the leasehold interests in land continue to be accounted for as property, plant and equipment.

Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. TURNOVER

Turnover represents the following revenue recognised during the year:

	2008 *HK$'000*	2007 *HK$'000*
Income from godown operations	26,507	30,797
Income from property investment	66,981	58,540
Dividend income from listed investments	1,464	2,827
Interest income	5,049	2,975
	100,001	95,139

5. SEGMENT INFORMATION

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format. As more than 90% of the business operations of the Group are located and derived from Hong Kong, geographical segment information is not presented in these financial statements.

Business segments

For management purposes, the Group is currently organised into three operating divisions – godown operations, property investment and treasury investment. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Godown operations – Operation of godown
Property investment – Leasing of investment properties
Treasury investment – Securities trading and investment, and placing of bank deposits

Segment information about these businesses is presented below:

For the year ended 31 March 2008

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover					
External revenue	26,507	66,981	6,513	–	100,001
Inter-segment revenue	–	5,676	–	(5,676)	–
Total	26,507	72,657	6,513	(5,676)	100,001

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

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment result	7,785	151,897	37,916	–	197,598
Unallocated corporate expenses					(4,864)
Gain on deregistration of a subsidiary					996
Profit before taxation					193,730
Taxation					(32,047)
Profit for the year attributable to shareholders					161,683

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Consolidated HK$'000
Assets				
Segment assets	25,338	1,375,685	251,430	1,652,453
Unallocated corporate assets				29,106
Consolidated total assets				1,681,559
Liabilities				
Segment liabilities	8,436	24,897	–	33,333
Unallocated corporate liabilities				165,949
Consolidated total liabilities				199,282

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Consolidated HK$'000
Other information				
Capital expenditure	296	38	–	334
Depreciation of property, plant and equipment	2,703	124	–	2,827
Release of prepaid lease payments	412	–	–	412
Impairment loss recognised on trade receivables	61	–	–	61

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

For the year ended 31 March 2007

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover					
External revenue	30,797	58,540	5,802	–	95,139
Inter-segment revenue	–	5,676	–	(5,676)	–
Total	30,797	64,216	5,802	(5,676)	95,139

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

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Segment result	12,850	191,833	24,009	–	228,692
Unallocated corporate expenses					(5,035)
Profit before taxation					223,657
Taxation					(36,952)
Profit for the year attributable to shareholders					186,705

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	41,713	1,196,026	204,013	1,441,752
Unallocated corporate assets				8,659
Consolidated total assets				1,450,411
Liabilities				
Segment liabilities	8,283	21,635	–	29,918
Unallocated corporate liabilities				128,155
Consolidated total liabilities				158,073

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated *HK$'000*
Other information				
Capital expenditure	1,319	21	–	1,340
Depreciation of property, plant and equipment	3,350	245	–	3,595
Release of prepaid lease payments	441	–	–	441

6. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2007: eight) directors were as follows:

Name of directors	Lu Sin	Lui Chi Lung	Oen Min Tjin	Lu Yong Lee	Lee Ka Sze, Carmelo	Gan Khai Choon	Lam Ming Leung	Leung Man Chiu, Lawrence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2008									
Fees	63	30	30	20	119	86	119	119	586
Other emoluments									
Salaries and other benefits	2,119	1,170	728	–	–	–	–	–	4,017
Retirement benefits scheme contributions	–	24	–	–	–	–	–	–	24
Total emoluments	2,182	1,224	758	20	119	86	119	119	4,627
2007									
Fees	60	30	30	20	110	80	110	87	527
Other emoluments									
Salaries and other benefits	2,119	1,170	532	–	–	–	–	–	3,821
Retirement benefits scheme contributions	–	24	–	–	–	–	–	–	24
Total emoluments	2,179	1,224	562	20	110	80	110	87	4,372

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2007: three) were executive directors of the Company whose emoluments are included in note 6 above. The emoluments of the remaining two (2007: two) individuals were as follows:

	2008	2007
	HK$'000	*HK$'000*
Salaries and other benefits	1,162	875
Retirement benefits scheme contributions	24	24
	1,186	899

The aggregate emoluments for each of the above-mentioned two (2007: two) employees during the year were less than HK$1,000,000.

8. PROFIT BEFORE TAXATION

	2008 *HK$'000*	2007 *HK$'000*
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	690	658
Impairment loss recognised on trade receivables	61	–
and after crediting:		
Gross rental income from investment properties	66,981	58,540
Less: direct operating expenses from investment properties that generated rental income during the year	(1,800)	(2,590)
Net rental income	65,181	55,950
Dividend income from listed securities		
– available-for-sale investments	1,058	1,767
– investments held for trading	406	1,060
Gain on disposal of property, plant and equipment	313	84
Gain on deregistration of a subsidiary	996	–
Interest income on financial assets not at fair value through profit or loss	5,049	2,975
Exchange gains, net	8,823	–

9. TAXATION

	2008 *HK$'000*	2007 *HK$'000*
The charge comprises:		
Hong Kong Profits Tax		
Current year	8,838	5,490
(Over)underprovision in prior years	(36)	51
The People's Republic of China ("PRC") Enterprise Income Tax		
Underprovision in prior years	1,158	–
	9,960	5,541
Deferred taxation (note 25)	22,087	31,411
	32,047	36,952

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for both years.

Taxation arising in the PRC is calculated at the rate prevailing in the relevant jurisdiction.

9. TAXATION (Continued)

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

	2008 *HK$'000*	2007 *HK$'000*
Profit before taxation	193,730	223,657
Tax at the domestic income tax rate of 17.5% (2007: 17.5%)	33,903	39,140
Tax effect of expenses not deductible for tax purpose	422	381
Tax effect of income not taxable for tax purpose	(3,724)	(2,690)
Tax effect of tax losses not recognised	173	136
Tax effect of utilisation of deductible temporary differences previously not recognised	(13)	(13)
Tax effect of utilisation of tax losses previously not recognised	–	(92)
Effect of different tax rates of a subsidiary operating in another jurisdiction	353	(74)
Underprovision in prior years, net	1,122	51
Others	(189)	113
Tax charge for the year	32,047	36,952

10. DIVIDENDS

	2008 *HK$'000*	2007 *HK$'000*
Interim dividend paid in respect of 2008 – HK7 cents (2007: HK7 cents) per ordinary share	9,450	9,450
Special interim dividend paid in respect of 2008 – HK3 cents (2007: nil) per ordinary share	4,050	–
Final dividend paid in respect of 2007 – HK7 cents (2006: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2007 – HK8 cents (2006: HK2 cents) per ordinary share	10,800	2,700
	33,750	21,600
Dividend proposed:		
Final dividend – HK7 cents (2007: HK7 cents) per ordinary share	9,450	9,450
Special dividend – HK8 cents (2007: HK8 cents) per ordinary share	10,800	10,800
	20,250	20,250

A final dividend of HK7 cents per share, amounting to HK$9,450,000 and a special dividend of HK8 cents per share, amounting to HK$10,800,000, for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

11. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK$161,683,000 (2007: HK$186,705,000) and on 135,000,000 shares in issue throughout both years.

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

12. INVESTMENT PROPERTIES

	THE GROUP
	HK$'000
AT FAIR VALUE	
At 1 April 2006	1,047,000
Increase in fair value	142,500
At 31 March 2007	1,189,500
Transfer from property, plant and equipment, and prepaid lease payments	87,700
Increase in fair value	95,000
At 31 March 2008	1,372,200

During the year, certain owned properties have become investment properties because the Group has rented out the properties to earn rentals and/or for capital appreciation. Accordingly, the carrying amounts of the relevant owned properties have been transferred from property, plant and equipment, and prepaid lease payments to investment properties. The difference between the carrying amounts and the fair value of those owned properties at the date of transfer of HK$74,475,000 is recognised in property revaluation reserve.

The fair value of the Group's investment properties at 31 March 2008 has 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, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuations, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, were arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a gain arising from changes in fair value of HK$95,000,000 (2007: HK$142,500,000) which has been credited to the consolidated income statement.

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

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

	2008	2007
	HK$'000	*HK$'000*
Long leases	**293,500**	174,500
Medium-term leases	**1,078,700**	1,015,000
	1,372,200	1,189,500

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases HK$'000	Godown premises in Hong Kong held under medium-term leases HK$'000	Office premises and carparks in the PRC held under medium-term land use rights HK$'000	Leasehold improvements, furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
THE GROUP						
COST						
At 1 April 2006	47,612	32,975	1,714	20,938	2,536	105,775
Exchange adjustments	–	–	77	10	18	105
Additions	–	–	–	1,007	333	1,340
Write off/disposals	–	–	–	(799)	(504)	(1,303)
At 31 March 2007	47,612	32,975	1,791	21,156	2,383	105,917
Additions	–	–	–	334	–	334
Write off/disposals	–	–	(1,791)	(731)	(257)	(2,779)
Transfer to investment properties	(23,120)	–	–	–	–	(23,120)
At 31 March 2008	24,492	32,975	–	20,759	2,126	80,352
DEPRECIATION						
At 1 April 2006	38,161	26,494	889	19,767	2,056	87,367
Exchange adjustments	–	–	33	10	18	61
Provided for the year	1,904	213	52	987	439	3,595
Eliminated on write off/disposals	–	–	–	(799)	(483)	(1,282)
At 31 March 2007	40,065	26,707	974	19,965	2,030	89,741
Provided for the year	1,779	213	14	633	188	2,827
Eliminated on write off/disposals	–	–	(988)	(731)	(256)	(1,975)
Transfer to investment properties	(20,255)	–	–	–	–	(20,255)
At 31 March 2008	21,589	26,920	–	19,867	1,962	70,338
CARRYING VALUES						
At 31 March 2008	2,903	6,055	–	892	164	10,014
At 31 March 2007	7,547	6,268	817	1,191	353	16,176

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture, fixtures and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
THE COMPANY			
COST			
At 1 April 2006	7,353	258	7,611
Additions	352	333	685
Write off/disposals	(768)	(258)	(1,026)
At 31 March 2007	6,937	333	7,270
Additions	188	–	188
Write off	(620)	–	(620)
At 31 March 2008	6,505	333	6,838
DEPRECIATION			
At 1 April 2006	7,112	258	7,370
Provided for the year	189	83	272
Eliminated on write off/disposals	(768)	(258)	(1,026)
At 31 March 2007	6,533	83	6,616
Provided for the year	220	83	303
Eliminated on write off	(620)	–	(620)
At 31 March 2008	6,133	166	6,299
CARRYING VALUES			
At 31 March 2008	372	167	539
At 31 March 2007	404	250	654

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

Land and buildings of godown premises in Hong Kong	Shorter of the useful life of the buildings or the unexpired term of the land lease
Office premises and carparks in the PRC held under medium-term land use rights	Shorter of the useful life of the buildings or the unexpired term of the land lease
Leasehold improvements, furniture, fixtures and equipment	25% per annum
Motor vehicles	25% per annum

At 31 March 2008, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to approximately HK$20,356,000 (2007: HK$19,179,000).

14. PREPAID LEASE PAYMENTS

The prepaid lease payments represent leasehold interest in land in Hong Kong held under long leases and are analysed for reporting purposes as:

	THE GROUP	
	2008	2007
	HK$'000	HK$'000
Prepaid lease payments classified under:		
Current assets	227	441
Non-current assets	10,717	21,275
	10,944	21,716

During the year, certain prepaid lease payments of the Group were transferred to investment properties.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2008	2007
	HK$'000	HK$'000
Unlisted shares, at cost	31,780	31,780
Less: Impairment loss recognised	(1,749)	(1,749)
	30,031	30,031

Details of the principal subsidiaries at 31 March 2008 and 31 March 2007 are set out in note 33.

16. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	32,997	45,669	32,997	45,669

17. INVESTMENTS HELD FOR TRADING

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	11,056	21,519	11,056	21,515

18. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade receivables	4,197	5,255	3,322	3,202
Less: allowance for doubtful debts	(588)	(550)	(570)	(532)
	3,609	4,705	2,752	2,670
Other receivables	2,680	4,066	95	73
Prepayments and deposits	1,577	1,588	481	487
	7,866	10,359	3,328	3,230

The aged analyses of trade customers of the Group and the Company are as follows:

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Within 60 days	3,112	4,269	2,255	2,468
61-90 days	426	102	426	68
Over 90 days	71	334	71	134
	3,609	4,705	2,752	2,670

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

No interest is charged on the trade customers on the outstanding balances. Allowances for doubtful debts are made based on estimated irrecoverable amounts, determined by reference to the age of the debts, customers' current ability to pay and the economic environment in which the customers operate.

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

Included in the Group's and the Company's trade receivables balance are debtors with aggregate carrying amount of HK$497,000 (2007: HK$436,000) and HK$497,000 (2007: HK$202,000) respectively which are past due by 0 to 60 days at the reporting date for which the Group and the Company have not provided for impairment loss. The average age of these receivables is 79 days (2007: 98 days). The Group and the Company do not hold any collateral from its customers.

18. TRADE AND OTHER RECEIVABLES (Continued)

Movement in the allowance of doubtful debts

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**550**	748	**532**	532
Impairment loss recognised	**61**	–	**61**	–
Amounts written off as uncollectible	**(23)**	(198)	**(23)**	–
At end of the year	**588**	550	**570**	532

19. AMOUNTS DUE FROM SUBSIDIARIES

Except for the amounts of HK$620,247,000 (2007: HK$665,137,000) and HK$3,658,000 (2007: HK$3,652,000) which bear interest at 0.25% (2007: 0.25%) per annum and at prime rate (2007: prime rate) with effective interest rate of 7.15% (2007: 7.75%) per annum, respectively, the amounts due from subsidiaries are unsecured, interest-free and recoverable within one year.

20. BANK BALANCES AND CASH

Bank balances and cash comprise cash and deposits held by the Group with an original maturity of three months or less, carrying variable interest rates ranging from 0.1% to 4% (2007: 2% to 4%) per annum.

21. PROVISION FOR LEGAL CLAIMS

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Balance brought forward	**–**	9,672	**–**	3,844
Utilisation during the year	**–**	(8,945)	**–**	(3,464)
Reversal of provision	**–**	(727)	**–**	(380)
Balance carried forward	**–**	–	**–**	–

22. FINANCIAL LIABILITIES

Financial liabilities include other payables and amounts due to subsidiaries. Amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

23. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$1 each		
Authorised:		
At beginning and at end of the years 2007 and 2008	200,000,000	200,000
Issued and fully paid:		
At beginning and at end of the years 2007 and 2008	135,000,000	135,000

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

24. RESERVES

	Share premium *HK$'000*	**Investment revaluation reserve** *HK$'000*	**Retained profits** *HK$'000*	**Total** *HK$'000*
THE COMPANY				
At 1 April 2006	43,216	30,872	619,910	693,998
Revaluation increase recognised directly in equity	–	157	–	157
Transfer to profit or loss upon disposal of available-for-sale investments	–	(9,940)	–	(9,940)
Profit for the year	–	–	89,198	89,198
Total recognised (expense) income for the year	–	(9,783)	89,198	79,415
Dividends paid	–	–	(21,600)	(21,600)
At 31 March 2007	43,216	21,089	687,508	751,813
Revaluation increase recognised directly in equity	–	12,978	–	12,978
Transfer to profit or loss upon disposal of available-for-sale investments	–	(15,847)	–	(15,847)
Profit for the year	–	–	37,476	37,476
Total recognised (expense) income for the year	–	(2,869)	37,476	34,607
Dividends paid	–	–	(33,750)	(33,750)
At 31 March 2008	43,216	18,220	691,234	752,670

24. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK$550,121,000 (2007: HK$546,395,000) which is analysed as follows:

	2008	2007
	HK$'000	*HK$'000*
The Company's retained profits as stated above	691,234	687,508
Less: profit on transfer of property to a subsidiary	(141,113)	(141,113)
	550,121	546,395

25. DEFERRED TAX LIABILITIES

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

	Fair value adjustment of investment properties	Tax allowance on investment properties/ excess of tax allowance over depreciation on property, plant and equipment	Tax losses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2006	73,596	27,053	(5,824)	94,825
Charge to income statement for the year	24,938	3,246	3,227	31,411
At 31 March 2007	98,534	30,299	(2,597)	126,236
Charge to income statement for the year	16,625	2,865	2,597	22,087
Charge to equity for the year	13,033	–	–	13,033
At 31 March 2008	128,192	33,164	–	161,356

At 31 March 2008, the Group has unused tax losses of HK$9,974,000 (2007: HK$23,826,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset of nil has been recognised in respect of such tax losses (2007: HK$14,840,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK$9,974,000 (2007: HK$8,986,000) due to the unpredictability of future profit streams. In addition, the Group has deductible temporary differences of HK$667,000 (2007: HK$741,000) for which no deferred tax has been recognised due to the same reason.

The Company did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

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 balance sheet date is sufficient to cover the Group's probable obligations. The level of such provision will be reviewed on an annual basis and adjusted as appropriate.

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

	THE GROUP		THE COMPANY	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance brought forward	2,275	1,971	1,676	1,498
Additional provision	778	410	357	270
Utilisation during the year	(516)	(106)	(408)	(92)
Balance carried forward	2,537	2,275	1,625	1,676

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$606,000 (2007: HK$615,000).

27. PLEDGE OF ASSETS

At 31 March 2008, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK$1,078,700,000 (2007: HK$1,015,000,000) and HK$5,143,000 (2007: HK$5,333,000), respectively, to banks to secure general banking facilities to the extent of HK$72,000,000 (2007: HK$72,000,000) granted to the Group. At 31 March 2007 and 2008, no such facilities were utilised by the Group.

28. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

Property rental income earned during the year was HK$66,981,000 (2007: HK$58,540,000). The properties held have committed tenants for terms ranging from six months to three years.

At the balance sheet date, 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	
	2008	2007
	HK$'000	*HK$'000*
Within one year	63,140	44,389
In the second to fifth year inclusive	54,131	28,009
	117,271	72,398

At the balance sheet date, the Company as lessee did not have any significant operating lease commitment.

29. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company received a reimbursement of expenses amounting to HK$240,000 (2007: 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 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 and senior executives 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 balance sheet, and notes 19 and 22.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the equity balance.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

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 adjust its overall capital structure through dividend payments and issuing new shares.

There were no changes on the Group's objectives or policies on capital management during the year.

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables	**242,225**	153,169	**854,965**	804,136
Available-for-sale investments	**32,997**	45,669	**32,997**	45,669
Investment held for trading	**11,056**	21,519	**11,056**	21,515

	THE GROUP		THE COMPANY	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities at amortised cost	**26,125**	22,586	**35,937**	12,948

31. FINANCIAL INSTRUMENTS (Continued)

a. Categories of financial instruments (Continued)

Exposure of financial instruments to market, credit and liquidity risks arises in the normal course of the Group's business. These risks are mitigated by the Group's financial management policies and practices described in (b) below.

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 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, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Details of the financial instruments are disclosed in 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.

Market risk

(i) Foreign currency risk

Certain bank balances of the Group and the Company are denominated in foreign currencies which are different from the functional currency of the entity to which they relate, that is, Hong Kong dollars, 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

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Japanese Yen	**39,075**	–	**–**	–
Australian dollars	**14,282**	–	**–**	–
United States dollars	**3,375**	3,240	**–**	–

THE COMPANY

	Assets		Liabilities	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Japanese Yen	**39,075**	–	**–**	–
Australian dollars	**14,282**	–	**–**	–

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Foreign currency risk (Continued)

The Hong Kong dollars is pegged to Untied States dollars and the management is of the opinion that the foreign exchange risk of the bank deposit denominated in Untied States dollars is insignificant.

The following table details the Group's and the Company's sensitivity to a 5% increase and decrease in Hong Kong dollars against the other relevant foreign currencies. 5% is the sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where Hong Kong dollars weakened 5% against the relevant currency. For a 5% strengthening of Hong Kong dollars against the relevant currency, there would be an equal and opposite impact on the profit for the year, and the balances below would be negative.

	THE GROUP AND THE COMPANY			
	Japanese Yen impact		**Australian dollars impact**	
	2008	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Increase in the profit for the year	**1,955**	–	**714**	–

(ii) Interest rate risk

The Group's and the Company's cash flow interest rate risk relates primarily to bank deposits and certain variable rate amounts due from subsidiaries. The fair value interest rate risk is limited as the interest rate of bank deposits is variable and the amounts due from subsidiaries are short-term in nature. The management monitors the cash flow interest rate risk exposure and will take action should the need arise.

The sensitivity analyses below have been determined based on the exposure to interest rates for interest bearing deposits at the balance sheet date. A 10 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 basis points higher/lower and all other variables were held constant, the Group's and the Company's profit for the year ended 31 March 2008 would increase/decrease by HK$207,000 (2007: HK$125,000) and increase/decrease by HK$207,000 (2007: HK$117,000), respectively. This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable-rate bank deposits.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(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 operating in property industry sector quoted in 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 analyses below have been determined based on the exposure to equity price on investments at the reporting date.

If the prices of the respective equity instruments had been 10% higher/lower:

- the Group's/Company's profit for the year ended 31 March 2008 would both increase/decrease by HK$1,106,000 (2007: HK$2,152,000) as a result of the changes in fair value of investments held-for-trading; and

- the Group's/Company's investment valuation reserve would both increase/decrease by HK$3,300,000 (2007: HK$4,567,000) as a result of the changes in fair value of available-for-sale investments.

Credit risk

The Group and the Company are exposed to credit risk that one party to a financial instrument will cause a financial loss for the Group and the Company by failing to discharge an obligation.

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 2008 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheets. The Group's and the Company's credit risk is primarily attributable to its trade receivables, other receivables and amounts due from subsidiaries. The amounts stated in the balance sheets are net of allowances for doubtful recovery of 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. 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 are a large of number of customers. In addition, the Company has a concentration of credit risk representing amounts due from a few subsidiaries.

The credit risk on the Group's and the Company's bank deposits is limited because the majority of the counterparties are banks or corporations with high credit standing.

31. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

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	
	2008	2007	2008	2007
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
0-1 year	12,628	14,082	35,937	12,948
1-2 years	8,968	6,909	–	–
2-5 years	4,529	1,595	–	–
Total undiscounted cash flows	26,125	22,586	35,937	12,948
Carrying amounts	26,125	22,586	35,937	12,948

c. Fair values

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

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

- The fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions.

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

32. CRITICAL ACCOUNTING ESTIMATES

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

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

Key sources of estimation uncertainty

a. Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry activities. 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.

b. 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 and other receivables. Provisions are applied to trade and other 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 judgment and estimates based on the credit history of the customers and the current market conditions. Where the expectation is different from the original estimate, such difference will impact carrying value of receivables and doubtful debt expenses in the period in which such estimate has been changed.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2008 and 31 March 2007 are as follows:

Name of company	Place of incorporation/ registration	Paid-up capital	Proportion of nominal value of issued capital held by the Company 2008 (Note 1)	2007 (Note 1)	Principal activities
Chi Kee Investment Company Limited	Hong Kong	HK$500,000 Ordinary shares	100%	100%	Property investment
Chivas Godown Company Limited	Hong Kong	HK$10,000,000 Ordinary shares	100%	100%	Holding and operating godown, and property investment
East Asia (Fujian) Property Development Co. Ltd. (Note 2)	PRC	US$1,619,394 Registered capital	–	100%	Property holding
Gaylake Limited	Hong Kong	HK$1,000 Ordinary shares	100%	100%	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Property holding
Good Ready Investment Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Property investment
On Luen Development Company Limited	Hong Kong	HK$100,000 Ordinary shares	100%	100%	Property investment
Rich China Development Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Securities trading
Safety Godown (China) Development Company Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Investment holding
Telerich Corporate Services Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Inactive

Notes:

1. The Company indirectly holds the equity interest in East Asia (Fujian) Property Development Co. Ltd. All other equity interests shown above are directly held by the Company.

2. East Asia (Fujian) Property Development Co. Ltd. was a wholly-owned foreign enterprise and was deregistered during the year.

3. 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 properties held by the Group at 31 March 2008 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq.ft.*	Type
The whole of Safety Godown (except 1/F, 2/F, 4/F and 5/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	271,578	Industrial/godown premises
The whole of Chivas Godown (except 1/F to 7/F) 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	121,500	Godown premises
Block No.D2 (including flat-roof appurtenance) 5th Floor at No.6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	2,810	Industrial premises

Particulars of Major Properties

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq.ft.*	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000 and 101 carparking spaces	Industrial/office
Flat roof on the third floor, five container parking spaces on the Ground Floor at 56 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	6,800	Flat roof/car parking spaces
1/F, 2/F, 4/F and 5/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	149,422	Industrial/ godown premises
1/F to 7/F of Chivas Godown 60 Ka Yip Street, Chai Wan, Hong Kong	Long-term lease	100%	318,500	Godown premises

安全貨倉有限公司
SAFETY GODOWN CO LTD

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