安全貨倉有限公司

SAFETY GODOWN CO LTD

(Stock code 股份代號: 237)

Annual Report
年報
2009

Contents

Corporate Information

DIRECTORS

Executive Directors
Mr. Lu Sin (Chairman and Managing Director)
Mr. Lui Chi Lung
Mr. Lu Wing Yee, Wayne
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

COMPANY SECRETARY

Mr. Wong Leung Wai

BANKERS

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

SOLICITORS

Woo, Kwan, Lee & Lo

AUDITORS

Deloitte Touche Tohmatsu

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

With effect from 11 July 2009:
Units 1305-1306, 13/F., 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	26 June 2009
Annual General Meeting	7 August 2009
Closure of Register of Members	5 August 2009 to 7 August 2009 (both days inclusive)
Record Date for Final Dividend	7 August 2009
Payment of Final Dividend	on or about 14 August 2009

Biographical Information of Directors

EXECUTIVE DIRECTORS

Mr. Lu Sin, aged 90, is the founder of the Group and the Chairman and Managing Director of the Company. He is the Chairman and Managing Director of Kian Nan Financial Limited, and the 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 and Mr. Lu Wing Yee, Wayne, Executive Directors of the Company, and uncle of Mr. Lu Yong Lee, Non-executive Director of the Company.

Mr. Lui Chi Lung, aged 57, 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, cousin of Mr. Lu Yong Lee, Non-executive Director of the Company and brother of Mr. Lu Wing Yee, Wayne, Executive Director of the Company.

Mr. Oen Min Tjin, aged 72, has been a Director of the Company since 2004. Mr. Oen acted as an Independent Non-executive Director from 28 September 2004 to 16 June 2006 and has been an executive Director since 16 June 2006. Mr. Oen graduated from National Taiwan University. Mr. Oen is a Director of Ramada Bintang Bali Hotel, Bali, Indonesia. Mr. Oen was with Kian Nan Trading Co., Ltd. from 1961 to 1978. Mr. Oen was the Managing Director of ANTA Express from 1978 to 2005.

Mr. Lu Wing Yee, Wayne, aged 35, was appointed as an Executive Director of the Company on 12 December 2008. He joined the Group in July 2001, and prior to his appointment as Executive Director has acted as a Group Manager of the Group in charge of day-to-day operation of the Group. He has extensive experience in the field of accounting, auditing, financial management and operations control. Mr. Lu is a member of The American Institute of Certified Public Accountants. He has a master degree in business administration, a bachelor degree of science in business administration and a diploma in risk management. Mr. Lu was previously worked for audit firm, securities and brokerage firm and listed property company. He is the son of Mr. Lu Sin, the Chairman of the Company, cousin of Mr. Lu Yong Lee, Non-executive Director of the Company and brother of Mr. Lui Chi Lung, Executive Director of the Company.

NON-EXECUTIVE DIRECTORS

Mr. Lu Yong Lee, aged 70 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 had been 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 and Mr. Lu Wing Yee, Wayne, Executive Directors of the Company.

Mr. Lee Ka Sze, Carmelo, aged 49, 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/an Independent Non-executive Director of a number of companies listed in The Stock Exchange of Hong Kong Limited. Mr. Lee is also the Deputy Chairman of the Listing Committee of The Stock Exchange of Hong Kong Limited.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Gan Khai Choon, aged 63, 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 57, 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 61, has been an Independent Non-executive Director of the Company since 16 June 2006. He is also an Independent Non-executive Director of Pak Fah Yeow International Limited and Shell Electric Mfg. (Holdings) Company Limited, companies 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 36 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

RESULTS FOR THE YEAR

The Group reported a loss attributable to shareholders of HK$166,946,000 for the year ended 31 March 2009, compared with a profit of HK$161,683,000 in 2008. The loss was mainly attributable to an unrealised revaluation loss on investment properties of HK$264,075,000 (2008: revaluation gain of HK$95,000,000) which does not have any actual cash impact toward our financial position.

DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of HK4 cents per share, amounting to HK$5,400,000 for the year ended 31 March 2009, to shareholders whose names appear on the register of members on 7 August 2009 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final dividend will be despatched to shareholders on or about 14 August 2009. Together with the interim dividend of HK4 cents per share already paid, the total distribution for the year ended 31 March 2009 will be HK8 cents per share. Total distribution for the previous year was HK25 cents per share.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 5 August 2009 to Friday, 7 August 2009, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 4 August 2009.

BUSINESS REVIEW

In the aftermath of the outbreak of the financial tsunami, property prices plummeted generally, there is no way for the Group to remain unaffected. A loss has been recorded for the year 2008/2009 as a revaluation loss in investment properties was recognised in the income statement for the year.

As Hong Kong faces a very challenging economic environment due to the globally widespread impact of the financial tsunami, the Group's business has also been affected, particularly after the winding-up of the Lehman Brothers in the second half of the year. Property leasing business has performed better than expected but that was principally attributable to the fairly higher rentals agreed for leases entered in the previous year and the slightly bigger areas of properties leased than before. Performance of our godown operations was relatively stable during the first half of the year but has obviously worsened right from the beginning of 2009 when weakening trends appeared for both godown occupancy rate and turnover of goods. As to the treasury investment, the Group would continue to review the investment performance of its financial assets held and identify new investment opportunities from time to time to achieve positive returns in addition to a guaranteed return on capital in this unstable market. However, as the stock and foreign exchange markets have remained volatile and interest rate of bank deposits has been kept at a very low level, a loss in treasury investment of approximately HK$18 million has been recorded for the year, including an impairment loss of approximately HK$7.6 million on available-for-sale investments. The Group has no holdings in share or foreign exchange accumulator products.

Chairman's Statement

OUTLOOK

As Hong Kong's economy is badly hit by the global financial tsunami, manufacturing, trading and godown industries would naturally be under impact of the economic slowdown. Business environment becomes increasingly severe. The property leasing market is weak, leading to the pressure for rental cuts. Further, difficulty in retaining tenants would be expected as a result of the increased supply in office space following the completion of new office buildings in East Kowloon. Therefore, the Group plans to renovate its properties for higher rental values with its cash assets when appropriate.

Hong Kong is experiencing a downturn in import, export and entrepot volumes generally. According to recently available figures, the drop is over 20%, which has been rare for decades. Although the demand for godown spaces has fallen sharply, apparently there is not much room for further reduction in operating costs.

In view of these, the Group is relatively cautious about the future results of its operations. Unless the governments and central banks of the European countries and the U.S. take further fundamentally effective rescue and reform measures for their financial systems, there are still great hidden risks with the global economy in the foreseeable future. While Hong Kong's economy remains weak with no revival, it is unlikely that the Group can be optimistic about its operating results.

Lu Sin
Chairman

Hong Kong, 26 June 2009

Five Year Financial Summary

	2009 *HK$'000*	2008 *HK$'000*	2007 *HK$'000*	2006 *HK$'000*	2005 *HK$'000*
Consolidated Income Statement					
Turnover					
Godown operation	**23,914**	26,507	30,797	30,769	30,944
Investment property	**82,718**	66,981	58,540	51,816	50,520
Treasury investment	**3,154**	6,513	5,802	4,232	2,332
	109,786	100,001	95,139	86,817	83,796
(Loss) profit attributable to shareholders					
Godown operation	**9,385**	7,785	12,850	12,514	12,266
Investment property	**(192,576)**	151,897	191,833	177,267	124,592
Treasury investment	**(18,207)**	37,916	24,009	17,802	14,061
Unallocated corporate expenses	**(5,004)**	(4,864)	(5,035)	(6,417)	(5,735)
Gain on deregistration of a subsidiary	**–**	996	–	–	–
Finance costs	**–**	–	–	(134)	(242)
(Loss) profit before taxation	**(206,402)**	193,730	223,657	201,032	144,942
Taxation	**39,456**	(32,047)	(36,952)	(33,605)	(26,025)
(Loss) profit for the year attributable to shareholders	**(166,946)**	161,683	186,705	167,427	118,917
Consolidated Balance Sheet					
Total assets	**1,426,638**	1,681,559	1,450,411	1,272,149	1,099,042
Total liabilities	**(146,862)**	(199,282)	(158,073)	(135,276)	(129,877)
Shareholders' funds	**1,279,776**	1,482,277	1,292,338	1,136,873	969,165
Per Share					
(Loss) earnings per share	**(HK$1.24)**	HK$1.20	HK$1.38	HK$1.24	HK$0.88
Dividends per share	**8 cents**	25 cents	22 cents	16 cents	14 cents
Dividend payout ratio *(Note 1)*	**20.17%**	40.51%	42.95%	37.76%	41.50%
Net asset value per share	**HK$9.48**	HK$10.98	HK$9.57	HK$8.42	HK$7.18
Ratios					
Return on average shareholders' funds	**(12.09%)**	11.65%	15.4%	15.9%	12.8%
Current ratio	**7.86:1**	7.22:1	6.01:1	3.01:1	1.58:1
Gearing ratio *(Note 2)*	**–**	–	–	–	1.82%

Notes:

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

2. 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

Turnover of the Group for the year was HK$109,786,000 (2008: HK$100,001,000), an increase of HK$9,785,000 or 9.78% when compared with last year. Turnover comprised mainly rental income from property investment and income from godown operations. The increase in turnover was mainly attributable to the increase in rental income from property investment.

PROPERTY INVESTMENT

The Group's property rental income for the year increased by 23.49% to HK$82,718,000 (2008: HK$66,981,000). Profit contribution from property investment excluding the fair value loss on investment properties of HK$264,075,000 (2008: fair value gain of HK$95,000,000) amounted to HK$71,499,000, an increase of 25.66% compared to the profit contribution of HK$56,897,000 in 2008. This was primarily attributable to the growth in rental revenue in property investment.

GODOWN OPERATION

Turnover in godown operation dropped by 9.78% for the year mainly as a result of a certain number of godown spaces had been changed to investment property for leasing purposes. However, with a satisfactory reduction in operational costs, profit contribution from godown operations increased by 20.55% to HK$9,385,000 (2008: HK$7,785,000).

TREASURY INVESTMENT

The Group's performance in treasury investment was directly impacted by the downturn in global stock markets during the year. The Group suffered losses in treasury investment of HK$18,207,000 (2008: profit of HK$37,916,000), which included a loss in foreign exchange of HK$2,654,000 (2008: gain in foreign exchange of HK$8,823,000). Although the Group has not disposed of any of the available-for-sale investments during the year, the carrying value of the underlying security has dropped significantly below the cost. The management considers this as an indication of significant and prolonged decline in value of the security and therefore an impairment loss of HK$7,568,000 (2008: nil) was made this year.

As at 31 March 2009, the carrying value of the available-for-sale investments reduced to HK$14,779,000 (2008: HK$32,997,000), while the portfolio holding in investments held for trading increased by 69.37% to HK$18,726,000 (2008: HK$11,056,000) because of increase in investment in listed shares. The investment portfolio included primarily equity securities listed in Hong Kong.

LIQUIDITY AND FINANCIAL RESOURCES

There was no change to the Group's capital structure during the year. As at 31 March 2009, the bank deposits and cash balance of the Group amounted to HK$221,653,000 (31/3/2008: HK$235,936,000). The net cash generated from operating activities amounted to HK$47,229,000 (2008: HK$98,855,000) during the year. After accounting for the payments of dividend of HK$25,650,000 (2008: HK$33,750,000) and the addition of investment properties of HK$35,475,000 (2008: nil), the net cash inflow to the Group amounted to HK$8,302,000 (2008: HK$20,974,000).

During the year, the Group had no borrowing. As at 31 March 2009, the current ratio of the Group was 7.86 times (2008: 7.22 times).

OPERATING EXPENSES

Total operating expenses for the year amounted to HK$35,547,000 (2008: HK$35,726,000). Total staff costs accounted for HK$20,263,000 (2008: HK$21,487,000), a decrease of 5.7% against last year, while the total turnover of the Group increased by 9.78%. This demonstrates the management effectiveness in managing its resources and controlling its operating costs.

Management Discussion and Analysis

DIVIDEND POLICY

From the past, the Group has provided shareholders with relatively generous dividend stream. However, the Group's business was inevitably negatively affected by the financial tsunami. As a result, we have to slash the dividend distribution for the current year in order to maintain the financial health of the Group. The management will resume the dividend to a higher level according to the business environment and the performance of the Group in the future.

PLEDGE OF ASSETS

At 31 March 2009, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK$80,500,000 (2008: HK$1,078,700,000) and HK$4,953,000 (2008: HK$5,143,000) respectively, to banks to secure general banking facilities to the extent of HK$69,000,000 (2008: HK$72,000,000) granted to the Group. At 31 March 2008 and 31 March 2009, no such facilities were utilised by the Group.

EMPLOYEES

As at 31 March 2009, the Group employed 74 (2008: 78) employees. The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based upon staff performance and results of the Group. The Group does not have any share option scheme for employees.

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, 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 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 equity price risk are mainly concentrated on equity instruments of entities listed in The Stock Exchange of Hong Kong Limited. In addition, the Company has assigned a special team of personnel to monitor the price 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 2009, the Group did not have any significant contingent liabilities.

Corporate Governance Report

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

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 2009 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 four Executive Directors, two Non-executive Directors and three Independent Non-executive Directors. 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 9 under the subject Board Meeting. Biographies of the Directors which include relationship among members of the Board are set out on page 3 under the subject Biographical Information of Directors.

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.

BOARD MEETINGS

Board meetings are held at least three 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 three 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)*	3/3
Lui Chi Lung	3/3
Oen Min Tjin	3/3
Lu Wing Yee, Wayne *(appointed on 12 December 2008)*	2/2
Non-executive Directors	
Lu Yong Lee	0/3
Lee Ka Sze, Carmelo	2/3
Independent Non-executive Directors	
Gan Khai Choon	3/3
Lam Ming Leung	3/3
Leung Man Chiu, Lawrence	3/3

BOARD MEETINGS (Continued)

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 at least 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.

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

REMUNERATION AND NOMINATION COMMITTEE (Continued)

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

(a) appointment of Mr. Lu Wing Yee, Wayne as Executive Director;

(b) re-election of Mr. Lui Chi Lung, Mr. Lee Ka Sze, Carmelo, Mr. Leung Man Chiu, Lawrence and Mr. Lu Wing Yee, Wayne, directors of the Company to be proposed for shareholders' approval at the Annual General Meeting 2009;

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

(d) annual salary review for 2009 for all staff;

(e) senior executives bonus;

(f) staff cost budget; and

(g) 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.

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 2008;

(ii) reviewed and discussed with management and external auditors the audited financial statements for the year ended 31 March 2009;

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

AUDIT COMMITTEE (Continued)

(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.

All matters raised by the Audit Committee have been addressed by the Management. The work and findings of the Audit Committee have been reported to the Board. During the year, no issue was 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 2010. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 7 August 2009.

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

Nature of services	**2009**	2008
	HK$	*HK$*
Review fee for interim results	**112,800**	110,000
Audit fee for final results	**758,000**	698,000
Taxation consultancy services fee	**87,700**	74,000
Total audit and non-audit services	**958,500**	882,000

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 loss and cash flows for the year ended 31 March 2009 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 18.

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.

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, all the Directors have confirmed in writing that they had complied with the required standard as set out in the Model Code throughout the year ended 31 March 2009.

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 had 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, 26 June 2009

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 2009.

PRINCIPAL ACTIVITIES

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 32 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2009 are set out in the consolidated income statement on page 19.

An interim dividend of HK4 cents per share, amounting to HK$5,400,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK4 cents per share amounting to HK$5,400,000 to the shareholders whose names appear on the register of members on 7 August 2009.

Other movements in reserves are set out in the consolidated statement of changes in equity on page 21.

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 2009, the Company's reserves available for distribution to shareholders comprised the retained profits of HK$566,657,000 (2008: HK$550,121,000). Details of the Company's distributable reserves are set out in note 23 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
Mr. Lu Wing Yee, Wayne (appointed on 12 December 2008)

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

DIRECTORS (Continued)

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lui Chi Lung, Mr. Lee Ka Sze, Carmelo, and Mr. Leung Man Chiu, Lawrence shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election. In accordance with Article 83 of the Company's Articles of Association, Mr. Lu Wing Yee, Wayne will retire at the forthcoming annual general meeting and being eligible, offers himself for re-election. Details of the directors to be re-elected at the 2009 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 2009, 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
Name of director	Personal interests	Family interests	Corporate interests	Total	share capital of the Company
Mr. Lu Sin	4,400,000	2,589,500 [1]	59,553,445 [2]	66,542,945	49.29%
Mr. Lui Chi Lung	947,884	–	–	947,884	0.70%
Mr. Lu Wing Yee, Wayne	6,522,420	–	23,440 [3]	6,545,860	4.85%
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.

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.

3. Mr. Lu Wing Yee, Wayne was deemed to be interested in these 23,440 shares through a company, which was 100% controlled by himself.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 31 March 2009.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 28 to the 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 2009, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Name of substantial shareholder	Number of issued ordinary shares held: Direct interest	Number of issued ordinary shares held: Indirect interest	Percentage of issued share capital of the Company
Eaver Company Limited	2,007,628	47,203,445 [1]	36.45%
Lusin and Company Limited	2,000,000	47,203,445 [1]	36.45%
Kian Nan Financial Limited	47,203,445	–	34.97%
Fu Nan Enterprises Company Limited	11,999,661	–	8.89%
Earngold Limited	10,350,000	–	7.67%

Notes:

1. 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 2009.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for 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.

Directors' Report

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

EMOLUMENT POLICY

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the directors, the Company has maintained a sufficient public float throughout the year ended 31 March 2009.

DONATIONS

During the year, the Group made charitable and other donations amounting to HK$305,000 (2008: 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 2009 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 and exception of deviation is set out in the Corporate Governance Report contained in pages 9 to 13 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, 26 June 2009

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 19 to 49, which comprise the consolidated and the Company's balance sheets as at 31 March 2009, 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 Group and of the Company as at 31 March 2009 and of the Group's loss 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, 26 June 2009

Consolidated Income Statement

For the year ended 31 March 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Turnover	4	**109,786**	100,001
Income from godown operations		**23,914**	26,507
Income from property investment		**82,718**	66,981
(Losses) gains on investments			
Fair value (loss) gain on investments held for trading		**(10,871)**	11,404
Gain on disposals of available-for-sale investments		**–**	11,419
Impairment loss on available-for-sale investments		**(7,568)**	–
Interest income		**2,071**	5,049
Dividend income		**1,083**	1,464
Other income		**1,873**	11,632
(Decrease) increase in fair value of investment properties		**(264,075)**	95,000
Staff costs		**(20,263)**	(21,487)
Depreciation of property, plant and equipment		**(1,902)**	(2,827)
Release of prepaid lease payments		**(227)**	(412)
Other expenses		**(13,155)**	(11,000)
(Loss) profit before taxation	8	**(206,402)**	193,730
Taxation	9	**39,456**	(32,047)
(Loss) profit for the year attributable to shareholders		**(166,946)**	161,683
Dividends	10		
Paid		**25,650**	33,750
Proposed		**5,400**	20,250
(Loss) earnings per share – Basic	11	**(HK$1.24)**	HK$1.20

Balance Sheets

At 31 March 2009

	Notes	THE GROUP 2009 HK$'000	THE GROUP 2008 HK$'000	THE COMPANY 2009 HK$'000	THE COMPANY 2008 HK$'000
Non-current assets					
Investment properties	12	**1,143,600**	1,372,200	**–**	–
Property, plant and equipment	13	**8,499**	10,014	**301**	539
Prepaid lease payments	14	**10,490**	10,717	**–**	–
Investments in subsidiaries	15	**–**	–	**30,031**	30,031
Amount due from a subsidiary	19	**–**	–	**575,987**	612,147
Available-for-sale investments	16	**14,779**	32,997	**14,779**	32,997
		1,177,368	1,425,928	**621,098**	675,714
Current assets					
Prepaid lease payments	14	**227**	227	**–**	–
Investments held for trading	17	**18,726**	11,056	**3,953**	11,056
Trade and other receivables	18	**8,326**	7,866	**2,749**	3,328
Amounts due from subsidiaries	19	**–**	–	**60,816**	10,384
Tax recoverable		**338**	546	**–**	–
Bank deposits for investment purpose	20	**184,792**	207,377	**179,923**	203,357
Bank balances and cash	20	**36,861**	28,559	**33,218**	26,230
		249,270	255,631	**280,659**	254,355
Current liabilities					
Other payables	21	**30,310**	31,142	**5,433**	5,507
Amounts due to subsidiaries	21	**–**	–	**9,060**	32,476
Tax payable		**1,397**	4,247	**–**	2,791
		31,707	35,389	**14,493**	40,774
Net current assets		**217,563**	220,242	**266,166**	213,581
		1,394,931	1,646,170	**887,264**	889,295
Capital and reserves					
Share capital	22	**135,000**	135,000	**135,000**	135,000
Reserves	23	**1,144,776**	1,347,277	**750,988**	752,670
		1,279,776	1,482,277	**885,988**	887,670
Non-current liabilities					
Deferred tax liabilities	24	**112,857**	161,356	**–**	–
Provision for long service payments	25	**2,298**	2,537	**1,276**	1,625
		115,155	163,893	**1,276**	1,625
		1,394,931	1,646,170	**887,264**	889,295

The financial statements on pages 19 to 49 were approved and authorised for issue by the Board of Directors on 26 June 2009 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 2009

	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 2007	135,000	43,216	9,091	–	995	1,104,036	1,292,338
Fair value changes of available-for-sale investments	–	–	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 and 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
Effect on change in tax rate in respect of deferred tax on revaluation surplus	–	–	–	745	–	–	745
Fair value changes of available-for-sale investments	–	–	(18,218)	–	–	–	(18,218)
Net income and expense recognised directly in equity	–	–	(18,218)	745	–	–	(17,473)
Loss for the year	–	–	–	–	–	(166,946)	(166,946)
Impairment loss on available-for-sale investments recognised in profit or loss	–	–	7,568	–	–	–	7,568
Total recognised income and expense for the year	–	–	(10,650)	745	–	(166,946)	(176,851)
Dividends paid	–	–	–	–	–	(25,650)	(25,650)
At 31 March 2009	135,000	43,216	–	62,187	–	1,039,373	1,279,776

Consolidated Cash Flow Statement

For the year ended 31 March 2009

	2009 *HK$'000*	2008 *HK$'000* (restated)
Operating activities		
(Loss) profit before taxation	**(206,402)**	193,730
Adjustments for:		
Decrease (increase) in fair value of investment properties	**264,075**	(95,000)
Fair value loss (gain) on investments held for trading	**6,312**	(4,290)
Gain on disposal of available-for-sale investments	**–**	(11,419)
Impairment loss on available-for-sale investments	**7,568**	–
Depreciation of property, plant and equipment	**1,902**	2,827
Release of prepaid lease payments	**227**	412
Impairment loss recognised on trade receivables	**–**	61
Gain on disposal of property, plant and equipment	**–**	(313)
Gain on deregistration of a subsidiary	**–**	(996)
Provision for long service payments	**143**	778
Operating cash flows before movements in working capital	**73,825**	85,790
(Increase) decrease in trade and other receivables	**(460)**	2,431
(Increase) decrease in investments held for trading	**(13,982)**	14,753
(Decrease) increase in other payables	**(832)**	3,235
Decrease in provision for long service payments	**(382)**	(516)
Cash generated from operations	**58,169**	105,693
Income tax paid	**(10,940)**	(6,838)
Net cash from operating activities	**47,229**	98,855
Investing activities		
Purchase of property, plant and equipment	**(387)**	(334)
Addition of investment properties	**(35,475)**	–
Decrease (increase) in bank deposits for investment purpose	**22,585**	(70,564)
Proceeds on disposal of available-for-sale investments	**–**	25,650
Proceeds on disposal of property, plant and equipment	**–**	1,117
Net cash used in investing activities	**(13,277)**	(44,131)
Cash used in financing activity		
Dividends paid	**(25,650)**	(33,750)
Net increase in cash and cash equivalents	**8,302**	20,974
Cash and cash equivalents at beginning of the year	**28,559**	7,585
Cash and cash equivalents at end of the year	**36,861**	28,559
Analysis of cash and cash equivalents		
Bank balances and cash	**36,861**	28,559

The Group's cash flow statement for the year ended 31 March 2008 has been restated to reclassify the bank deposits for investment purpose under investing activities.

1. GENERAL INFORMATION

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

The Company is engaged in investment holding, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 32.

The 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 the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group and the Company for the current or prior accounting periods have been 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.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 1 (Revised)	Presentation of Financial Statements[3]
HKAS 23 (Revised)	Borrowing Costs[3]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[4]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[3]
HKAS 39 (Amendment)	Eligible Hedged Items[4]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[3]
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards[4]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[3]
HKFRS 3 (Revised)	Business Combinations[4]
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments[3]
HKFRS 8	Operating Segments[3]
HK(IFRIC) – Int 9 & HKAS 39 (Amendments)	Embedded Derivatives[5]
HK(IFRIC) – Int 13	Customer Loyalty Programmes[6]
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate[3]
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation[7]
HK(IFRIC) – Int 17	Distributions of Non-cash Assets to Owners[4]
HK(IFRIC) – Int 18	Transfers of Assets from Customers[8]

1 Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009
2 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2009
4 Effective for annual periods beginning on or after 1 July 2009
5 Effective for annual periods ending on or after 30 June 2009
6 Effective for annual periods beginning on or after 1 July 2008
7 Effective for annual periods beginning on or after 1 October 2008
8 Effective for transfers on or after 1 July 2009

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

The adoption of HKAS 1 (Revised) will result in a change in presentation of the primary statements of the financial statements. The adoption of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary.

The directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the results and financial position of the Group and the Company.

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 of Hong Kong Limited. The significant accounting policies adopted are below:

Basis of preparation of financial statements

The consolidated financial statements for the year ended 31 March 2009 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 31.

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 at the date of acquisition.

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 "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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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 debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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.

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 of 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets *(Continued)*

Impairment of financial assets (Continued)

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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and amounts due from subsidiaries, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 income statement 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, except for those that are classified and accounted for as investment properties under the fair value model. Where the allocation between the land and buildings elements cannot be made reliably, 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.

4. TURNOVER

Turnover represents the following revenue recognised during the year:

	2009	2008
	HK$'000	*HK$'000*
Income from godown operations	**23,914**	26,507
Income from property investment	**82,718**	66,981
Dividend income from listed investments	**1,083**	1,464
Interest income	**2,071**	5,049
	109,786	100,001

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 in local and foreign currencies

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

Segment information about these businesses is presented below:

For the year ended 31 March 2009

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Eliminations HK$'000	Consolidated HK$'000
Turnover					
External revenue	23,914	82,718	3,154	–	109,786
Inter-segment revenue	–	5,676	–	(5,676)	–
Total	23,914	88,394	3,154	(5,676)	109,786

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	9,385	(192,576)	(18,207)	–	(201,398)
Unallocated corporate expenses					(5,004)
Loss before taxation					(206,402)
Taxation					39,456
Loss for the year attributable to shareholders					(166,946)

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Consolidated HK$'000
Assets				
Segment assets	23,077	1,148,065	218,297	1,389,439
Unallocated corporate assets				37,199
Consolidated total assets				1,426,638
Liabilities				
Segment liabilities	8,176	23,816	–	31,992
Unallocated corporate liabilities				114,870
Consolidated total liabilities				146,862

	Godown operations HK$'000	Property investment HK$'000	Treasury investment HK$'000	Consolidated HK$'000
Other information				
Capital expenditure	387	35,475	–	35,862
Depreciation of property, plant and equipment	1,808	94	–	1,902
Release of prepaid lease payments	227	–	–	227

5. SEGMENT INFORMATION (Continued)

Business segments (Continued)

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

	Godown operations *HK$'000*	Property investment *HK$'000*	Treasury investment *HK$'000*	Consolidated *HK$'000*
Assets				
Segment assets	25,339	1,375,685	251,430	1,652,454
Unallocated corporate assets				29,105
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

6. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the nine (2008: eight) directors were as follows:

Name of directors	Lu Sin	Lui Chi Lung	Oen Min Tjin	Lu Wing Yee, Wayne	Lu Yong Lee	Lee Ka Sze, Carmelo	Gan Khai Choon	Lam Ming Leung	Leung Man Chiu, Lawrence	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2009										
Fees	**69**	**15**	**15**	**6**	**15**	**126**	**109**	**129**	**129**	**613**
Other emoluments										
Salaries and other benefits	**2,119**	**1,170**	**728**	**152**	**–**	**–**	**–**	**–**	**–**	**4,169**
Retirement benefits scheme contributions	**–**	**24**	**–**	**3**	**–**	**–**	**–**	**–**	**–**	**27**
Total emoluments	**2,188**	**1,209**	**743**	**161**	**15**	**126**	**109**	**129**	**129**	**4,809**
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

Note:

1. During the year, three of the four executive directors, Mr. Lu Sin, Mr. Oen Min Tjin and Mr. Lu Wing Yee, Wayne have waived one month's salary to alleviate the operating pressure from the financial crisis. Mr. Lui Chi Lung did not participate in this arrangement due to personal reason.

2. No directors waived any emoluments during the year ended 31 March 2008.

7. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2008: three) were executive directors of the Company whose emoluments are included in note 6 above. The emoluments of the remaining two (2008: two) individuals were as follows:

	2009	2008
	HK$'000	HK$'000
Salaries and other benefits	**879**	1,162
Retirement benefits scheme contributions	**24**	24
	903	1,186

The aggregate emoluments for each of the above-mentioned two (2008: two) employees during the year were less than HK$1,000,000.

8. (LOSS) PROFIT BEFORE TAXATION

	2009 HK$'000	2008 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Auditor's remuneration	**698**	690
Impairment loss recognised on trade receivables	**–**	61
Exchange loss, net	**2,654**	–
and after crediting:		
Gross rental income from investment properties	**82,718**	66,981
Less: direct operating expenses from investment properties that generated rental income during the year	**(1,844)**	(1,800)
Net rental income	**80,874**	65,181
Dividend income from listed securities		
– available-for-sale investments	**892**	1,058
– investments held for trading	**191**	406
Gain on disposal of property, plant and equipment	**–**	313
Gain on deregistration of a subsidiary	**–**	996
Interest income on financial assets not at fair value through profit or loss	**2,071**	5,049
Exchange gain, net	**–**	8,823

9. TAXATION

	2009 HK$'000	2008 HK$'000
The (credit) charge comprises:		
Hong Kong Profits Tax		
Current year	**8,567**	8,838
Overprovision in prior years	**(269)**	(36)
The People's Republic of China ("PRC") Enterprise Income Tax		
Underprovision in prior years	**–**	1,158
	8,298	9,960
Deferred taxation (note 24)		
Current year	**(39,279)**	22,087
Effect on change in tax rate	**(8,475)**	–
	(47,754)	22,087
	(39,456)	32,047

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008/2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 31 March 2009. The deferred tax liability balance at 31 March 2009 has been adjusted to reflect the tax rate that is expected to apply to the respective periods when the asset is realised or the liability is settled.

Hong Kong Profits Tax is calculated at 16.5% (2008: 17.5%) of the estimated assessable profit for the year.

9. TAXATION (Continued)

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

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

	2009	2008
	HK$'000	*HK$'000*
(Loss) profit before taxation	**(206,402)**	193,730
Tax at the domestic income tax rate of 16.5% (2008: 17.5%)	**(34,056)**	33,903
Tax effect of expenses not deductible for tax purpose	**1,374**	422
Tax effect of income not taxable for tax purpose	**(517)**	(3,724)
Tax effect of tax losses not recognised	**1,234**	173
Tax effect of deductible temporary differences not recognised	**1,210**	–
Tax effect of utilisation of deductible temporary differences previously not recognised	**(12)**	(13)
Tax effect of utilisation of tax losses previously not recognised	**(8)**	–
Effect of different tax rates of a subsidiary operating in another jurisdiction	**–**	353
Effect on change in tax rate	**(8,475)**	–
(Over) underprovision in prior years, net	**(269)**	1,122
Others	**63**	(189)
Tax (credit) charge for the year	**(39,456)**	32,047

10. DIVIDENDS

	2009	2008
	HK$'000	*HK$'000*
Interim dividend paid in respect of 2009 – HK4 cents (2008: HK7 cents) per ordinary share	**5,400**	9,450
Special interim dividend paid in respect of 2009 – nil (2008: HK3 cents) per ordinary share	**–**	4,050
Final dividend paid in respect of 2008 – HK7 cents (2007: HK7 cents) per ordinary share	**9,450**	9,450
Special dividend paid in respect of 2008 – HK8 cents (2007: HK8 cents) per ordinary share	**10,800**	10,800
	25,650	33,750
Dividend proposed:		
Final dividend – HK4 cents (2008: HK7 cents) per ordinary share	**5,400**	9,450
Special dividend – nil (2008: HK8 cents) per ordinary share	**–**	10,800
	5,400	20,250

A final dividend of HK4 cents per share, amounting to HK$5,400,000 for the year has been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

11. (LOSS) EARNINGS PER SHARE – BASIC

The calculation of basic (loss) earnings per share is based on the loss for the year attributable to shareholders of HK$166,946,000 (2008: profit for the year attributable to shareholders of HK$161,683,000) and on 135,000,000 shares in issue throughout both years.

No diluted (loss) 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 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
Additions	35,475
Decrease in fair value	(264,075)
At 31 March 2009	1,143,600

The fair value of the Group's investment properties at 31 March 2009 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 were arrived at by reference to net rental income allowing for reversionary income potential. The revaluation gave rise to a loss arising from changes in fair value of HK$264,075,000 (2008: gain of HK$95,000,000) which has been included in the consolidated income statement.

During the year ended 31 March 2008, certain owned properties had become investment properties because the Group had rented out the properties to earn rentals and/or for capital appreciation. Accordingly, the carrying amounts of the relevant owned properties had 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 was recognised in property revaluation reserve.

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:

	2009	2008
	HK$'000	*HK$'000*
Long leases	**265,500**	293,500
Medium-term leases	**878,100**	1,078,700
	1,143,600	1,372,200

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases	Godown premises in Hong Kong held under medium-term leases	Office premises and carparks in the PRC held under medium-term land use rights	Leasehold improvements, furniture, fixtures and equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
THE GROUP						
COST						
At 1 April 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
Additions	–	–	–	200	187	387
Write off	–	–	–	(527)	–	(527)
At 31 March 2009	24,492	32,975	–	20,432	2,313	80,212
DEPRECIATION						
At 1 April 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
Provided for the year	980	214	–	578	130	1,902
Eliminated on write off	–	–	–	(527)	–	(527)
At 31 March 2009	22,569	27,134	–	19,918	2,092	71,713
CARRYING VALUES						
At 31 March 2009	1,923	5,841	–	514	221	8,499
At 31 March 2008	2,903	6,055	–	892	164	10,014

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 2007	6,937	333	7,270
Additions	188	–	188
Write off	(620)	–	(620)
At 31 March 2008	6,505	333	6,838
Additions	53	–	53
Write off	(462)	–	(462)
At 31 March 2009	6,096	333	6,429
DEPRECIATION			
At 1 April 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
Provided for the year	208	83	291
Eliminated on write off	(462)	–	(462)
At 31 March 2009	5,879	249	6,128
CARRYING VALUES			
At 31 March 2009	217	84	301
At 31 March 2008	372	167	539

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

Land and/or buildings of godown premises in Hong Kong	Shorter of the useful life of the buildings or the unexpired term of the land lease
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 2009, the cost of fully depreciated property, plant and equipment of the Group that is still in use amounted to HK$20,071,000 (2008: HK$20,356,000).

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	
	2009	2008
	HK$'000	*HK$'000*
Prepaid lease payments classified under:		
Current assets	**227**	227
Non-current assets	**10,490**	10,717
	10,717	10,944

During the year ended 31 March 2008, certain prepaid lease payments of the Group were transferred to investment properties.

15. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2009	2008
	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 2009 and 31 March 2008 are set out in note 32.

16. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	**14,779**	32,997	**14,779**	32,997

17. INVESTMENTS HELD FOR TRADING

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	**18,726**	11,056	**3,953**	11,056

18. TRADE AND OTHER RECEIVABLES

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Trade receivables	**3,646**	4,197	**2,782**	3,322
Less: allowance for doubtful debts	**(588)**	(588)	**(570)**	(570)
	3,058	3,609	**2,212**	2,752
Other receivables	**3,501**	2,680	**14**	95
Prepayments and deposits	**1,767**	1,577	**523**	481
	8,326	7,866	**2,749**	3,328

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

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within 60 days	**2,873**	3,112	**2,027**	2,255
61-90 days	**149**	426	**149**	426
Over 90 days	**36**	71	**36**	71
	3,058	3,609	**2,212**	2,752

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 rental business.

While the Group and the Company have the rights to charge godown business customers and tenants for overdue balance on receivables, as stipulated in account opening agreement, godown warrant and lease agreement, no interest is charged on the trade customers on the outstanding balances for both years. 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$185,000 (2008: HK$497,000) and HK$185,000 (2008: HK$497,000) respectively which are past due by 1 to 60 days at the reporting date for which the Group and the Company have not provided for impairment loss. The Group and the Company do not hold any collateral from its customers.

Movement in the allowance of doubtful debts

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At beginning of the year	**588**	550	**570**	532
Impairment loss recognised	**–**	61	**–**	61
Amounts written off as uncollectible	**–**	(23)	**–**	(23)
At end of the year	**588**	588	**570**	570

19. AMOUNTS DUE FROM SUBSIDIARIES

Except for the amounts of HK$584,087,000 (2008: HK$620,247,000) and HK$3,766,000 (2007: HK$3,658,000) which bear interest at 1.5% (2008: 0.25%) per annum and at prime rate (2008: prime rate) per annum respectively, the amounts due from subsidiaries are unsecured and interest-free.

Allowance of HK$6,785,396 (2008: nil) has been provided in the current year. Included in the carrying amount of the amounts due from subsidiaries as at 31 March 2009 is accumulated impairment loss of HK$22,438,667 (2008: HK$15,653,271).

The amount due from a subsidiary of HK$575,987,000 (2008: HK$612,147,000) will not be repayable within one year and, accordingly, the amount is shown as non-current.

20. BANK DEPOSITS FOR INVESTMENT PURPOSE/BANK BALANCES AND CASH

Bank deposits for investment purpose/bank balances and cash are carrying variable interest rates ranging from 0.01% to 7% (2008: 0.1% to 4%) per annum.

21. FINANCIAL LIABILITIES

Financial liabilities include other payables and amounts due to subsidiaries. Amounts due to subsidiaries are unsecured, interest-free and repayable on demand. Tenants' deposits of HK$22,912,000 (2008: HK$22,191,000) are included in other payables of which deposits amounting to HK$10,874,000 (2008: HK$13,497,000) is under operating leases with lease term over one year.

22. SHARE CAPITAL

	Number of shares	*HK$'000*
Ordinary shares of HK$1 each		
Authorised:		
At beginning and at end of the years 2008 and 2009	200,000,000	200,000
Issued and fully paid:		
At beginning and at end of the years 2008 and 2009	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 meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

23. RESERVES

	Share premium HK$'000	Investment revaluation reserve HK$'000	Retained profits HK$'000	Total HK$'000
THE COMPANY				
At 1 April 2007	43,216	21,089	687,508	751,813
Fair value change of available-for-sale investments	–	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 income and expense 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
Fair value changes of available-for-sale investments	–	(18,218)	–	(18,218)
Profit for the year	–	–	42,186	42,186
Total recognised income and expense for the year	–	(18,218)	42,186	23,968
Dividends paid	–	–	(25,650)	(25,650)
At 31 March 2009	43,216	2	707,770	750,988

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK$566,657,000 (2008: HK$550,121,000) which is analysed as follows:

	2009 ***HK$'000***	2008 *HK$'000*
The Company's retained profits as stated above	**707,770**	691,234
Less: profit on transfer of property to a subsidiary	**(141,113)**	(141,113)
	566,657	550,121

24. 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 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
(Credit) charge to income statement for the year	(42,273)	2,994	–	(39,279)
Effect on change in tax rate				
– income statement	(6,580)	(1,895)	–	(8,475)
– equity	(745)	–	–	(745)
At 31 March 2009	78,594	34,263	–	112,857

At 31 March 2009, the Group had unused tax losses of HK$17,372,000 (2008: HK$9,941,000) available for offset against future profits that may be carried forward indefinitely. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profit streams. In addition, the Group has deductible temporary differences of HK$7,925,000 (2008: HK$667,000) 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.

25. 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Balance brought forward	**2,537**	2,275	**1,625**	1,676
Additional provision	**143**	778	**33**	357
Utilisation during the year	**(382)**	(516)	**(382)**	(408)
Balance carried forward	**2,298**	2,537	**1,276**	1,625

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$579,000 (2008: HK$606,000).

26. PLEDGE OF ASSETS

At 31 March 2009, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK$80,500,000 (2008: HK$1,078,700,000) and HK$4,953,000 (2008: HK$5,143,000) respectively, to banks to secure general banking facilities to the extent of HK$69,000,000 (2008: HK$72,000,000) granted to the Group. At 31 March 2008 and 31 March 2009, no such facilities were utilised by the Group.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessor:

Property rental income earned during the year was HK$82,718,000 (2008: HK$66,981,000). 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	
	2009	2008
	HK$'000	*HK$'000*
Within one year	**66,907**	63,140
In the second to fifth year inclusive	**51,438**	54,131
	118,345	117,271

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

28. RELATED PARTY TRANSACTIONS

During the year, the Group and the Company received a reimbursement of expenses amounting to HK$240,000 (2008: 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 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 21.

29. CAPITAL RISK MANAGEMENT

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

The 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.

30. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Loans and receivables	**228,212**	242,225	**852,170**	854,965
Available-for-sale investments	**14,779**	32,997	**14,779**	32,997
Investments held for trading	**18,726**	11,056	**3,953**	11,056

	THE GROUP		THE COMPANY	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial liabilities at amortised cost	**26,888**	26,125	**12,674**	35,937

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 deposits 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		THE COMPANY	
	Assets		Assets	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Japanese Yen	**15,840**	39,075	**15,840**	39,075
Australian dollars	**23,862**	14,282	**23,862**	14,282
United States dollars	**777**	3,375	**–**	–

30. 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 United States dollars and the management is of the opinion that the foreign exchange risk of the bank deposits denominated in United 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 which 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 a decrease in loss/an increase in profit for the year where Hong Kong dollars weakened 5% against the relevant currencies. For a 5% strengthening of Hong Kong dollars against the relevant currencies, there would be an equal and opposite impact on the loss/profit for the year, and the balances below would be negative.

	THE GROUP AND THE COMPANY			
	Japanese yen impact		Australian dollars impact	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Decrease in loss/increase in the profit for the year	**792**	1,955	**1,193**	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 cash flow 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 Company's fair value interest risk relates primarily to certain variable rate amounts due from subsidiaries.

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

In view of current low-interest rate environment, the management is of the opinion that the interest rate risk on bank deposits and certain variable rate amounts due from subsidiaries is insignificant.

(iii) Price risk

The Group and the Company are exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles. The Group's and the Company's equity price risks are mainly concentrated on equity instruments quoted 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 of investments at the reporting date.

30. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Price risk (Continued)

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

- the Group's loss for the year ended 31 March 2009 would both decrease/increase by HK$1,873,000 (2008: profit would increase/decrease by HK$1,106,000) as a result of the changes in fair value of investments held-for-trading; and

- the Company's profit for the year ended 31 March 2009 would both increase/decrease by HK$395,000 (2008: profit would increase/decrease by HK$1,106,000) as a result of the changes in fair value of investments held-for-trading.

If the prices of the available-for-sale investments had been 10% higher, the Group's and the Company's investment valuation reserve would increase by HK$1,478,000 (2008: HK$3,300,000) as a result of the changes in fair value of available-for-sale investments.

If the prices of the available-for-sale investments had been 10% lower:

- the Group's loss for the year ended 31 March 2009 would increase by HK$1,478,000 (2008: profit would decrease by HK$3,300,000) as a result of the changes in fair value of available-for-sale investments which have been impaired; and

- the Company's profit for the year ended 31 March 2009 would decrease by HK$1,478,000 (2008: profit would decrease by HK$3,300,000) as a result of the changes in fair value of available-for-sale investments which have been impaired.

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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 2009 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. The management reviews the recoverable amounts of significant trade receivables and amounts due from subsidiaries regularly to ensure that adequate allowances for doubtful recovery are recognised if considered appropriate. The Group and the Company do not have any concentration of credit risk in their trade receivables as there are a large 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 all the counterparties have high credit ratings and that the management considers that the counterparties are financially sound.

30. 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	
	2009	2008	**2009**	2008
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
0 – 1 year	**16,014**	12,628	**12,674**	35,937
1 – 2 years	**5,719**	8,968	**–**	–
2 – 5 years	**5,155**	4,529	**–**	–
Total undiscounted cash flows	**26,888**	26,125	**12,674**	35,937
Carrying amounts	**26,888**	26,125	**12,674**	35,937

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.

31. 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. Fair value of investment properties

At the balance sheet date, the Group's investment properties are stated at a total fair value of HK$1,143,600,000 (2008: HK$1,372,200,000) based on the valuation performed by independent qualified professional valuers. In determining the fair value, the valuers have based on market value basis which involves, inter-alia, certain estimates, including comparable market transactions, appropriate capitalization rates and reversionary income potential and redevelopment potential. In relying on the valuation, management has exercised their judgment and is satisfied that the method of valuation is reflective of the current market conditions.

31. CRITICAL ACCOUNTING ESTIMATES (Continued)

Key sources of estimation uncertainty (Continued)

b. Useful lives of property, plant and equipment

The management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. 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. The management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

c. Estimated provision for impairment of trade and other receivables

The Group makes impairment loss for doubtful debts based on an assessment of the recoverability of trade 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 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.

32. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2009 and 31 March 2008 are as follows:

Name of company	Place of incorporation/ registration	Paid-up capital	Proportion of nominal value of issued capital held by the Company 2009	2008	Principal activities
Chi Kee Investment Company Limited	Hong Kong	HK$500,000 Ordinary shares	100%	100%	Property investment
Chivas Godown Company Limited	Hong Kong	HK$10,000,000 Ordinary shares	100%	100%	Holding and operating godown, and property investment
Gaylake Limited	Hong Kong	HK$1,000 Ordinary shares	100%	100%	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Property investment
Good Ready Investment Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Property investment
Rich China Development Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Securities trading
Telerich Corporate Services Limited	Hong Kong	HK$2 Ordinary shares	100%	100%	Investment holding

Notes:

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

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

Particulars of Major Properties

Particulars of major properties which were held by the Group at 31 March 2009 are as follows:

(a) Major 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

(b) Major investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group *sq.ft.*	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000 and 101 car-parking spaces	Industrial/office
1/F, 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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