

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 19/F., Lu Plaza, 2 Wing Yip Street, Kwun Tong, Kowloon on Friday, 8 August 2003 at 12:00 noon for the following purposes:

1. To receive and consider the Audited Financial Statements and the Reports of the Directors and the Auditors for the year ended 31 March 2003.
2. To declare a final dividend for the year 2003.
3. To re-elect Directors and to authorise the Directors to fix their remuneration.
4. To re-appoint Auditors and to authorise the Directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass the following special resolution:

Special Resolution

“That the existing articles of association of the Company (the “Articles of Association”) be and are hereby amended by inserting the following article after Article 92 of the Articles of Association and by renumbering all subsequent articles accordingly:–

93. The Board or any committee of the Board may participate in a meeting of the Board or such committee by means of a conference telephone or similar communications equipment through which all persons attending or participating in the meeting are capable of hearing each other and can communicate with each other simultaneously and instantaneously. For the purpose of counting a quorum, the person or persons participating in the meeting in the aforesaid manner shall be deemed for all purposes to be present in person at such meeting.”

6. As special business, to consider and, if thought fit, pass the following ordinary resolutions:

Ordinary Resolutions

- (i) “THAT a general mandate be and is hereby unconditionally given to the Directors of the Company to issue, allot and dispose of additional shares in the capital of the Company not exceeding 20 per cent of the existing issued share capital of the Company until the next Annual General Meeting.”
- (ii) “THAT:
 - (a) subject to paragraph (b) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of HK\$1 each in the capital of the Company in accordance with all applicable laws, rules and regulations be and is hereby generally and unconditionally approved;

Notice of Annual General Meeting

(b) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (a) above shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earlier of:

(1) the conclusion of the next Annual General Meeting of the Company;

(2) the expiration of the period within which the next Annual General Meeting of the Company is required by the laws to be held; and

(3) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting."

(iii) "THAT the general mandate granted to the Directors of the Company to issue, allot and dispose of additional shares pursuant to Ordinary Resolution 6(i) set out in the Notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of the share capital of the Company repurchased by the Company under the authority granted pursuant to Ordinary Resolution 6(ii) set out in the Notice convening this meeting, provided that such amount shall not exceed 10 per cent of the aggregate nominal amount of the issued share capital of the Company at the date of the said Resolution."

7. To transact any other ordinary business.

By order of the Board

Wong Leung Wai

Secretary

Hong Kong, 4 July 2003

NOTES:

(1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote in his stead. A proxy need not also be a member. The instrument appointing a proxy must be deposited at the registered office of the Company not less than 48 hours before the time appointed for holding the meeting.

(2) The Register of Members of the Company will be closed from 4 August 2003 to 8 August 2003, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:00 p.m. on 1 August 2003.

(3) Subject to approval by the general meeting, the final dividend will be paid on 9 August 2003 to members on register at 8 August 2003.

(4) Members are recommended to read Appendix which contains important information concerning Resolutions 6(ii) and (iii).

Corporate Information

Board of Directors

Lu Sin	<i>Chairman & Managing Director</i>
Lui Chi Lung	<i>Executive Director</i>
Wong Ker Lee *	
Lu Yong Lee *	
Gan Khai Choon #	
Lee Ka Sze, Carmelo #	

* Non-executive directors

Independent non-executive directors

Secretary

Wong Leung Wai

Bankers

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

Solicitors

Woo, Kwan, Lee & Lo

Auditors

Deloitte Touche Tohmatsu

Registered Office

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

Registrars and Transfer Office

Standard Registrars Limited
G/F., Bank of East Asia Harbour View Centre
56 Gloucester Road, Wanchai
Hong Kong

Biographical Information of Directors

Executive Directors

Mr. Lu Sin, aged 84, the founder of the Group and the Chairman and Managing Director of the Company, is also the Chairman and Managing Director of Kian Nan Financial Limited, 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 The University of Hong Kong Foundation for Educational Development and Research and is a member of The University Court, The University of Hong Kong, 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 a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. 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. Lui Chi Lung, aged 51, has been an Executive Director of the Company since 1990. He is also a Director of Kian Nan Financial Limited, Mr. Lui has over 25 years experience in public godown operation and textile industry. He is the son of the Chairman, Mr. Lu Sin.

Non-Executive Directors

Mr. Wong Ker Lee, aged 92, has been a Director of the Company since 1972. He is also the Chairman of Tai Cheng International (Holdings) Limited and Managing Director of Asia Insurance Co Limited. He has over 45 years experience in industry and security trading. Mr. Wong was a member of the Standing Committee of the Chinese People's Political Consultative Committee and has been awarded the Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region.

Mr. Lu Yong Lee, aged 64, has been a Director of the Company since 1989. He is also a Director of SEA Holdings Limited (a company listed in the Stock Exchange of Hong Kong Limited) and Kian Nan Financial Limited. Mr. Lu has over 35 years experience in property development and international trading.

Independent Non-Executive Directors

Mr. Gan Khai Choon, aged 57, has been a Director of the Company since 1990. He is also a 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 property development, hotel management and international trading.

Mr. Lee Ka Sze, Carmelo, aged 43, has been a Director of the Company since 2000. 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 an Independent Non-Executive Director of several listed public companies in Hong Kong, namely China Everbright International Limited, China Pharmaceutical Group Limited, Pak Fah Yeow International Limited, Tern Properties International (Holdings) Limited, Tern Properties Co. Limited, Yugang International Limited, Yunnan Enterprises Holdings Limited, SIIC Medical Science and Technology (Group) Limited, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and Hopewell Holdings Limited.

Chairman's Statement

Profit for the Year

The Group's audited consolidated net profit after taxation for the year ended 31 March 2003 amounted to HK\$44,749,000 which represents a slight reduction of 1.08% against the amount of HK\$45,239,000 for the previous year.

Dividends

The Directors recommend the payment of a final dividend of 5 cents per share for the year 2003. Together with the interim dividend of 4 cents per share already paid, the total distribution for the year ended 31 March 2003 will be 9 cents per share. Total distribution for the previous year was 11 cents per share.

Business Review

Despite the compounded impact of the global economic recession, the Middle-East turbulence, the aftermaths of the 11 September attack and the recent ordeal of SARS, together with the persistent deflation and high unemployment level in Hong Kong, the Group's godown and property rental businesses have, fortunately, remained steady. This is attributable to our strategies of securing a more stable income by reducing the amount of godown areas and leasing part of them in the form of long-term rental income. The reasonable rental policy and high quality of management of the Lu Plaza have also played an important part, winning the support of tenants and managing to maintain an occupancy level of about 90%. On the other hand, the Group also lowered its operation costs by simplifying manpower and strictly controlling unnecessary expenditure. Moreover, the low interest rate and lack of new investment projects due to the uncertain investment environment also reduced the outgoings on interest. All of the above factors have accounted for the more stable business performance of the Group over the past year.

Outlook

The impact of the Iraqi war and SARS have not yet completely emerged at this moment. As a result, there are still hard times ahead for the godown and property rental businesses and the operational pressure on the Group is yet to be relieved. Nevertheless, the godown business has suffered less compared with other business. As SARS has been brought under control, business activities and consumption have returned to normal, movements in inventory will gradually become active. The Group believes that by further lowering operation costs and tightening daily operation expenses, the overall business can remain relatively stable. The Group will adhere to its practical approach in business management and work hard to strive for a reasonable return under this harsh business environment.

Lu Sin
Chairman

Hong Kong, 4 July 2003

Management Discussion and Analysis

Godown Operation

Turnover of godown operation for the year fell substantially by about 25% to HK\$26,958,000 as a result of the planned conversion of part of the godown premises to investment properties and the decline in demand for warehousing space during the economic recession. Despite the fall in turnover, contribution from godown operation registered an increase of HK\$573,000 to HK\$10,780,000, which represents an increase of 5.61% when compared to last year.

Property Rental

Gross rental income from property investment for the year, excluding share of results from inter-group companies, increased by about 10% to HK\$57,992,000 despite the tough leasing market. Contribution from property investment sector increased by HK\$2,482,000 to HK\$45,336,000 this year, which represents an increase of 5.79% against last year.

Notwithstanding the general downward rental pressure, the Group's profit attributable to shareholders for the year maintained at roughly the same level as last year. Profitability and efficiency have also improved as the Group has implemented a series of cost-control measures which have significantly reduced staff costs and operating expenses over the past years.

Financial Resources and Liquidity

The carrying value of investment properties increased by 4.90% to HK\$801,000,000 mainly due to the reclassification of certain godown premises at the carrying value of HK\$35,869,000 as investment properties and the increase in the valuation of investment properties. As at 31 March 2003, all of the Group's investment properties were revalued on an open market value basis by independent property valuers, and an increase in investment property revaluation of HK\$1,531,000 was recorded during the year.

The Group continued to maintain a healthy capital structure. The gearing ratio calculated on the basis of total bank borrowing over total shareholders' fund was kept at a low level of 7.58% (2002: 13.69%). Total liabilities decreased by HK\$39,952,000 to HK\$111,117,000 mainly due to the reduction in bank borrowings. As a result, finance cost has reduced substantially by 53.90% to HK\$2,392,000 this year.

As at 31 March 2003, the Group's total bank balances and pledged bank deposits amounted to HK\$36,361,000. Together with the marketable securities and available banking facilities, the Group has sufficient financial resources to satisfy its commitments and working capital requirements.

Given that the functional currencies of the Group's operations are mainly Hong Kong dollars, the Group's exposure to foreign currency risk is extremely small. In addition, the Group does not engage in any derivatives trading activities for speculation purpose, and it has no significant off-balance sheet or contingent liabilities as at 31 March 2003.

Management Discussion and Analysis

Pledge of Assets

The Group's bank deposits in the amount of HK\$20,000,000, investment properties with carrying value of HK\$700,000,000 and property, plant and equipment with carrying value of HK\$6,093,000 were pledged to banks to secure bank loan and general banking facilities utilised by the Group.

Staff

As at 31 March 2003, the Group has approximately 82 (2002: 87) staff. Total staff costs for the year under review amounted to HK\$18,983,000 which represents a decrease of 16.85% in staff costs against last year.

The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of the performance and experience of individual staff. The Group does not have any share option scheme for staff.

Finally, I would like to take this opportunity to thank my fellow directors and staff at all levels for their contribution and loyal services.

Lu Sin
Chairman

Hong Kong, 4 July 2003

Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2003.

Principal Activities

The Company is engaged in investment holding and the operation of public godowns. The principal activities of its subsidiaries are set out in note 27 to the financial statements.

Results and Appropriations

The results of the Group for the year are set out in the consolidated income statement on page 14.

An interim dividend of 4 cents per share, amounting to HK\$5,400,000, was paid to shareholders during the year. The directors now recommend the payment of a final dividend of 5 cents per share, amounting to HK\$6,750,000, to the shareholders on the register of members on 8 August 2003.

Investment Properties, Property, Plant and Equipment

During the year, property, plant and equipment with carrying value of HK\$35,869,000 were transferred to investment properties. All of the Group's investment properties were revalued at 31 March 2003, resulting in a net revaluation increase amounting to HK\$1,531,000 which has been credited to investment property revaluation reserve.

Details of these and other movements in investment properties of the Group and property, plant and equipment of the Group and the Company during the year are set out in notes 12 and 13 to the financial statements, respectively.

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

Non-executive directors

Mr. Wong Ker Lee
Mr. Lu Yong Lee

Independent non-executive directors

Mr. Gan Khai Choon
Mr. Lee Ka Sze, Carmelo

Directors' Report

Directors (Continued)

In accordance with Article 78 of the Company's Articles of Association, Mr. Lu Yong Lee and Mr. Lee Ka Sze, Carmelo retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

No director of the Company proposing 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 Shares

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of ordinary shares held			Total
	Personal interests	Family interests	Corporate interests	
Mr. Lu Sin	4,400,000	2,589,500	59,553,445(<i>Note</i>)	66,542,945
Mr. Lui Chi Lung	947,884	–	–	947,884
Mr. Wong Ker Lee	1,812,000	–	–	1,812,000

Note: Mr. Lu Sin was deemed to be interested in 59,553,445 shares of the Company by virtue of his shareholdings in Lusin and Company Limited and Earngold Limited. Lusin and Company Limited and Earngold Limited owned 2,000,000 shares and 10,350,000 shares, respectively, of the Company. Lusin and Company Limited owned more than one-third of the issued ordinary share capital of Kian Nan Financial Limited which in turn owned 47,203,445 shares of the Company.

Other than as disclosed above, none of the directors or chief executives of the Company, nor their associates, had any interest in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives of the Company, nor 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

Except as disclosed in note 26 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.

Directors' Report

Directors' Rights to Acquire Shares or Debentures

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders

At 31 March 2003, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that, other than the interests disclosed under the section headed "Directors' interests in shares" above in respect of Mr. Lu Sin and Lusin and Company Limited, the following shareholders had an interest in 10% or more in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held		Percentage of issued share capital
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 (<i>Note</i>)	36%
Kian Nan Financial Limited	47,203,445	–	35%

Note: Eaver Company Limited was deemed to be interested in 47,203,445 shares of the Company by virtue of its shareholding in Kian Nan Financial Limited.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more in the issued share capital at 31 March 2003.

Major Customers and Suppliers

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

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.

Distributable Reserves

At 31 March 2003, the Company's reserve available for distribution amounted to HK\$351,475,000.

Donations

During the year, the Group made charitable and other donations amounting to HK\$20,000.

Directors' Report

Corporate Governance

The Company has complied throughout the year ended 31 March 2003 with the Code of Best Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Society of Accountants.

The Audit Committee provides an important link between the Board and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation. The Committee comprises two independent non-executive directors, namely Mr. Gan Khai Choon and Mr. Lee Ka Sze, Carmelo. Two meetings were held during the current financial year.

Auditors

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Lu Sin
Chairman

4 July 2003

Auditors' Report

德勤·關黃陳方會計師行

Certified Public Accountants
26/F, Wing On Centre
111 Connaught Road Central
Hong Kong

香港中環干諾道中111號
永安中心26樓

**Deloitte
Touche
Tohmatsu**

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

We have audited the financial statements on pages 14 to 39 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective Responsibilities of Directors and Auditors

The Companies Ordinance requires the directors to prepare financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants

4 July 2003

Consolidated Income Statement

For the year ended 31 March 2003

	Notes	2003 HK\$'000	2002 HK\$'000
Turnover	4	84,950	88,739
Other operating income		4,330	8,068
Staff costs		(18,983)	(22,830)
Depreciation and amortisation		(4,118)	(6,143)
Other operating expenses		(12,978)	(15,485)
Profit from operations	5	53,201	52,349
Finance costs	6	(2,392)	(5,189)
Profit before taxation		50,809	47,160
Taxation	9	(6,060)	(1,921)
Profit for the year		<u>44,749</u>	<u>45,239</u>
Dividends	10	<u>12,150</u>	<u>14,850</u>
Earnings per share – Basic	11	<u>HK\$0.33</u>	<u>HK\$0.34</u>

Balance Sheets

At 31 March 2003

	Notes	THE GROUP		THE COMPANY	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets					
Investment properties	12	801,000	763,600	–	–
Property, plant and equipment	13	49,335	86,537	189	440
Investments in subsidiaries	14	–	–	663,158	678,670
Investments in securities	15	13,019	22,856	13,019	22,821
		<u>863,354</u>	<u>872,993</u>	<u>676,366</u>	<u>701,931</u>
Current assets					
Trade and other receivables	16	10,404	8,199	3,391	3,475
Investments in securities	15	12,041	9,123	12,041	9,123
Taxation recoverable		863	3,716	715	1,766
Pledged bank deposits		20,000	30,000	20,000	30,000
Bank balances and cash		16,361	15,966	178	290
		<u>59,669</u>	<u>67,004</u>	<u>36,325</u>	<u>44,654</u>
Current liabilities					
Other payables		36,039	30,965	9,705	8,326
Amounts due to subsidiaries		–	–	15,076	9,522
Taxation payable		403	107	–	–
Bank borrowings – due within one year	17	61,553	87,991	21,665	31,765
		<u>97,995</u>	<u>119,063</u>	<u>46,446</u>	<u>49,613</u>
Net current liabilities		<u>(38,326)</u>	<u>(52,059)</u>	<u>(10,121)</u>	<u>(4,959)</u>
		<u>825,028</u>	<u>820,934</u>	<u>666,245</u>	<u>696,972</u>
Capital and reserves					
Share capital	18	135,000	135,000	135,000	135,000
Reserves	19	676,906	653,928	514,917	526,486
		<u>811,906</u>	<u>788,928</u>	<u>649,917</u>	<u>661,486</u>
Non-current liabilities					
Deferred taxation	20	7,539	3,339	–	–
Provision for long service payments	21	5,583	8,667	4,323	5,222
Loan from a subsidiary	22	–	–	12,005	30,264
Bank borrowings – due after one year	17	–	20,000	–	–
		<u>13,122</u>	<u>32,006</u>	<u>16,328</u>	<u>35,486</u>
		<u>825,028</u>	<u>820,934</u>	<u>666,245</u>	<u>696,972</u>

The financial statements on pages 14 to 39 were approved and authorised for issue by the Board of Directors on 4 July 2003 and are signed on its behalf by:

Lu Sin
Director

Lui Chi Lung
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	135,000	43,216	143,740	(17,570)	42	431,697	736,125
Revaluation increase (decrease) not recognised in the consolidated income statement	-	-	29,278	(5,514)	-	-	23,764
Profit for the year	-	-	-	-	-	45,239	45,239
Dividends paid	-	-	-	-	-	(16,200)	(16,200)
At 31 March 2002	135,000	43,216	173,018	(23,084)	42	460,736	788,928
Revaluation increase (decrease) not recognised in the consolidated income statement	-	-	1,531	(9,802)	-	-	(8,271)
Profit for the year	-	-	-	-	-	44,749	44,749
Dividends paid	-	-	-	-	-	(13,500)	(13,500)
At 31 March 2003	<u>135,000</u>	<u>43,216</u>	<u>174,549</u>	<u>(32,886)</u>	<u>42</u>	<u>491,985</u>	<u>811,906</u>

Consolidated Cash Flow Statement

For the year ended 31 March 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
Operating activities		
Profit from operations	53,201	52,349
Adjustments for:		
Interest income	(679)	(1,338)
Dividend income	(1,877)	(3,209)
Write back of provision for long service payments	(3,000)	–
Net unrealised gain on trading securities	(153)	(1,601)
Net realised gain on trading securities	–	(458)
Gain on disposal of property, plant and equipment	–	(62)
Depreciation and amortisation	4,118	6,143
Impairment loss on property, plant and equipment	300	–
Realised loss on other securities	35	–
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Operating cash flows before movements in working capital	51,945	51,824
(Increase) decrease in trade and other receivables	(2,205)	2,632
Increase in trading securities	(2,765)	–
Increase (decrease) in other payables	5,226	(68)
Decrease in provision for long service payments	(84)	(178)
	<hr/>	<hr/>
Cash generated from operations	52,117	54,210
Interest received	679	1,338
Hong Kong Profits Tax paid	(890)	(8,934)
Hong Kong Profits Tax refunded	2,179	232
	<hr/>	<hr/>
Net cash generated from operating activities	54,085	46,846
	<hr/>	<hr/>
Investing activities		
Decrease in pledged bank deposits	10,000	5,000
Dividend received from listed investments	1,877	3,209
Proceeds from disposal of investments in securities	–	2,346
Proceeds from disposal of property, plant and equipment	–	80
Purchase of property, plant and equipment	(3,085)	(1,068)
	<hr/>	<hr/>
Net cash generated from investing activities	8,792	9,567
	<hr/>	<hr/>
Financing activities		
Repayments of bank loans	(46,000)	(97,000)
Dividends paid	(13,500)	(16,200)
Interest paid	(2,544)	(5,073)
New bank loans raised	–	60,000
	<hr/>	<hr/>
Net cash used in financing activities	(62,044)	(58,273)
	<hr/>	<hr/>
Net increase (decrease) in cash and cash equivalents	833	(1,860)
Cash and cash equivalents brought forward	11,975	13,835
	<hr/>	<hr/>
Cash and cash equivalents carried forward	12,808	11,975
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Consolidated Cash Flow Statement

For the year ended 31 March 2003

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i> (Restated)
Analysis of the balances of cash and cash equivalents		
Cash and cash equivalents as previously reported		(52,025)
Effect of reclassification of bank loans		<u>64,000</u>
Cash and cash equivalents as restated		<u><u>11,975</u></u>
Being:		
Bank balances and cash	16,361	15,966
Bank overdrafts	(3,553)	<u>(3,991)</u>
	<u>12,808</u>	<u><u>11,975</u></u>

Notes to the Financial Statements

For the year ended 31 March 2003

1. GENERAL

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 Company is engaged in investment holding and the operation of public godowns. The principal activities of its subsidiaries are set out in note 27.

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants:

SSAP 1 (Revised)	Presentation of financial statements
SSAP 11 (Revised)	Foreign currency translation
SSAP 15 (Revised)	Cash flow statements
SSAP 34	Employee benefits

The adoption of these SSAPs has resulted in the introduction of presentation of the statement of changes in equity and a change in the format of presentation of the cash flow statement, and in the adoption of new accounting policy, but has had no significant effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Presentation of financial statements

SSAP 1 (Revised) has introduced the format of presentation of the statement of changes in equity.

Foreign currency translation

SSAP 11 (Revised) has eliminated the choice of translating the income statement of overseas subsidiaries at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate.

Cash flow statements

Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest received, dividends received, and interest and dividends paid are classified as operating, investing and financing cash flows respectively. Cash flows arising from taxes on income are classified as operating activities. In addition, the amounts presented for cash and cash equivalents have been amended to exclude short-term loans that are financing in nature. Cash flows of overseas subsidiaries and operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The re-definition of cash and cash equivalents has resulted in a restatement of the comparative amounts shown in the cash flow statement.

Notes to the Financial Statements

For the year ended 31 March 2003

2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

Employee benefits

SSAP 34 has introduced measurement rules and disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any significant impact on the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for revaluation of investment properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost, less any identified impairment loss.

Turnover

Turnover represents godown operating income and gross rental income received and receivable during the year.

Revenue recognition

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

Rental income from properties under operating leases is recognised on a straight line basis over the term of the relevant lease.

Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation, amortisation and any identified impairment loss.

Depreciation and amortisation is provided to write off the cost of the assets over their estimated useful lives, using the straight line method, as follows:

Godown premises in Hong Kong

Land	Over the unexpired term of the lease
Buildings	Shorter of the useful life of the buildings and the unexpired term of the land lease
Office premises and car parks in the Mainland China under medium-term land use right	2% per annum
Leasehold improvements, furniture, fixtures and equipment	25% per annum
Motor vehicles	25% per annum

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

Investments in securities are recognised on a trade date basis and are initially measured at cost.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains or losses are included in the net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the securities are disposed of or are determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

Impairment

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. Impairment losses are 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.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the subsidiaries operating outside Hong Kong are translated at the exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to translation reserve. Such translation differences are recognised as income or expenses in the period in which the subsidiary is disposed of.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 March 2003

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Retirement benefit costs

Payments to defined contribution retirement benefit plan are charged as an expense as they fall due.

4. SEGMENT INFORMATION

Business segments

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

Segment information about these businesses is presented below:

For the year ended 31 March 2003

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue				
External income	26,958	57,992	–	84,950
Inter-segment income	–	5,676	(5,676)	–
Total revenue	<u>26,958</u>	<u>63,668</u>	<u>(5,676)</u>	<u>84,950</u>
Segment result	<u>10,780</u>	<u>45,336</u>	<u>–</u>	<u>56,116</u>
Bank interest income				679
Dividend income from listed investments				1,877
Unallocated corporate expenses				<u>(5,471)</u>
Profit from operations				53,201
Finance costs				<u>(2,392)</u>
Profit before taxation				50,809
Taxation				<u>(6,060)</u>
Profit for the year				<u>44,749</u>

Notes to the Financial Statements

For the year ended 31 March 2003

4. SEGMENT INFORMATION (Continued)

At 31 March 2003

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Assets			
Segment assets	52,002	808,737	860,739
Unallocated corporate assets			62,284
Consolidated total assets			<u>923,023</u>
Liabilities			
Segment liabilities	16,739	24,944	41,683
Unallocated corporate liabilities			69,434
Consolidated total liabilities			<u>111,117</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information			
Capital expenditure	1,617	1,468	3,085
Depreciation and amortisation	3,667	451	4,118

Notes to the Financial Statements

For the year ended 31 March 2003

4. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2002

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue					
External income	36,127	52,612	–	–	88,739
Inter-segment income	–	6,516	–	(6,516)	–
Total revenue	<u>36,127</u>	<u>59,128</u>	<u>–</u>	<u>(6,516)</u>	<u>88,739</u>
Segment result	<u>10,207</u>	<u>42,854</u>	<u>2,024</u>	<u>–</u>	55,085
Bank interest income					1,338
Dividend income from listed investments			3,209		3,209
Unallocated corporate expenses					<u>(7,283)</u>
Profit from operations					52,349
Finance costs					<u>(5,189)</u>
Profit before taxation					47,160
Taxation					<u>(1,921)</u>
Profit for the year					<u>45,239</u>
At 31 March 2002					
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>	
Assets					
Segment assets	88,799	769,537	31,979	890,315	
Unallocated corporate assets				<u>49,682</u>	
Consolidated total assets				<u>939,997</u>	
Liabilities					
Segment liabilities	17,137	21,965	20	39,122	
Unallocated corporate liabilities				<u>111,947</u>	
Consolidated total liabilities				<u>151,069</u>	

Notes to the Financial Statements

For the year ended 31 March 2003

4. SEGMENT INFORMATION (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Others HK\$'000	Consolidated HK\$'000
Other information				
Capital expenditure	256	812	–	1,068
Depreciation and amortisation	5,792	351	–	6,143

Geographical segments

More than 90% of the Group's turnover, profit from operations, assets and liabilities were derived from and located in Hong Kong and, therefore, no geographical segments are presented.

5. PROFIT FROM OPERATIONS

	2003 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging:		
Auditors' remuneration	450	476
Realised loss on other securities	35	–
Impairment loss on property, plant and equipment	300	–
and after crediting:		
Gross rental income from investment properties	57,992	52,612
Less: outgoings	(4,699)	(3,906)
Net rental income	53,293	48,706
Bank interest income	679	1,338
Dividend income from listed investments	1,877	3,209
Net unrealised gain on trading securities	153	1,601
Net realised gain on trading securities	–	458
Write back of provision for long service payments	3,000	–
Gain on disposal of property, plant and equipment	–	62

6. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	2,268	4,978
Other loans wholly repayable within five years	124	211
	2,392	5,189

Notes to the Financial Statements

For the year ended 31 March 2003

7. DIRECTORS' EMOLUMENTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Directors' fees:		
Executive	45	45
Non-executive	40	55
Independent non-executive	140	140
Other emoluments – Executive directors:		
Salaries and other emoluments	8,489	3,949
Retirement benefits scheme contribution	24	24
	<hr/>	<hr/>
Total emoluments	<u>8,738</u>	<u>4,213</u>

The emoluments of directors were within the following bands:

	Number of directors	
	2003	2002
Nil to HK\$1,000,000	4	5
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$7,000,001 to HK\$7,500,000	1	–

8. EMPLOYEES' EMOLUMENTS

Of the five highest-paid emoluments in the Group, two (2002: two) were executive directors of the Company whose remunerations are included in disclosure in note 7 above. The emoluments of the remaining three (2002: three) individuals were as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Salaries and other benefits	1,776	1,659
Retirement benefits scheme contribution	36	24
	<hr/>	<hr/>
	<u>1,812</u>	<u>1,683</u>

The aggregate emoluments for each of the above-mentioned three (2002: three) employees during the year were within the HK\$1,000,000 band.

Notes to the Financial Statements

For the year ended 31 March 2003

9. TAXATION

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax		
Current year	1,965	2,396
Overprovision in prior year	(105)	(84)
	<hr/>	<hr/>
	1,860	2,312
Deferred taxation (<i>note 20</i>)	4,200	(391)
	<hr/>	<hr/>
	6,060	1,921
	<hr/> <hr/>	<hr/> <hr/>

Hong Kong Profits Tax is calculated at 16% (2002: 16%) of the estimated assessable profits for the year.

Details of the deferred taxation for the year are set out in note 20.

10. DIVIDENDS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interim dividend, paid – 4 cents (2002: 5 cents) per ordinary share	5,400	6,750
Final dividend, proposed – 5 cents (2002: 6 cents) per ordinary share	6,750	8,100
	<hr/>	<hr/>
	12,150	14,850
	<hr/> <hr/>	<hr/> <hr/>

A final dividend of 5 cents per share, amounting to HK\$6,750,000, for the year has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

11. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$44,749,000 (2002: HK\$45,239,000) and on 135,000,000 shares in issue throughout the two years.

Notes to the Financial Statements

For the year ended 31 March 2003

12. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1 April 2002	763,600
Transfer from property, plant and equipment	35,869
Net revaluation increase	<u>1,531</u>
At 31 March 2003	<u><u>801,000</u></u>

The investment properties are rented out under operating leases. They were revalued at 31 March 2003 on an open market value basis by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors. The net revaluation increase amounting to HK\$1,531,000 has been credited to investment property revaluation reserve.

The carrying amount of investment properties comprises properties on land in Hong Kong held under the following terms of leases:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Long leases	101,000	19,600
Medium-term leases	700,000	744,000
	<u>801,000</u>	<u>763,600</u>

Notes to the Financial Statements

For the year ended 31 March 2003

13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong under long leases HK\$'000	Godown premises in Hong Kong under medium- term leases HK\$'000	Office premises and carparks in Mainland China under medium- term land use right HK\$'000	Leasehold improvements, furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
THE GROUP						
COST						
At 1 April 2002	140,113	32,975	1,668	17,415	3,146	195,317
Additions	–	–	–	2,839	246	3,085
Transfer to investment properties	(65,615)	–	–	(846)	–	(66,461)
At 31 March 2003	74,498	32,975	1,668	19,408	3,392	131,941
DEPRECIATION, AMORTISATION AND IMPAIRMENT						
At 1 April 2002	63,472	25,629	364	16,169	3,146	108,780
Provided for the year	2,975	225	53	840	25	4,118
Transfer to investment properties	(30,592)	–	–	–	–	(30,592)
Impairment loss recognised	–	–	300	–	–	300
At 31 March 2003	35,855	25,854	717	17,009	3,171	82,606
NET BOOK VALUE						
At 31 March 2003	<u>38,643</u>	<u>7,121</u>	<u>951</u>	<u>2,399</u>	<u>221</u>	<u>49,335</u>
At 31 March 2002	<u>76,641</u>	<u>7,346</u>	<u>1,304</u>	<u>1,246</u>	–	<u>86,537</u>

Notes to the Financial Statements

For the year ended 31 March 2003

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY			
COST			
At 1 April 2002	6,893	2,477	9,370
Additions	55	–	55
	<hr/>	<hr/>	<hr/>
At 31 March 2003	6,948	2,477	9,425
	<hr/>	<hr/>	<hr/>
DEPRECIATION			
At 1 April 2002	6,453	2,477	8,930
Provided for the year	306	–	306
	<hr/>	<hr/>	<hr/>
At 31 March 2003	6,759	2,477	9,236
	<hr/>	<hr/>	<hr/>
NET BOOK VALUE			
At 31 March 2003	189	–	189
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2002	440	–	440
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

14. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	31,780	31,780
Loans to subsidiaries	792,010	807,522
	<hr/>	<hr/>
Impairment loss recognised	823,790 (160,632)	839,302 (160,632)
	<hr/>	<hr/>
	663,158	678,670
	<hr/> <hr/>	<hr/> <hr/>

Except for the loans of HK\$764,772,000 (2002: HK\$779,450,000) and HK\$3,774,000 (2002: HK\$3,839,000) which bear interest at 0.25% (2002: range of 0.25% to 2.5%) per annum and prime rate (2002: prime rate), respectively, the loans to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the subsidiaries at 31 March 2003 are set out in note 27.

Notes to the Financial Statements

For the year ended 31 March 2003

15. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong, at market value	12,041	9,123	13,019	22,821	25,060	31,944
Unlisted	–	–	–	35	–	35
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,856</u>	<u>25,060</u>	<u>31,979</u>
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	13,019	22,856	13,019	22,856
Current	12,041	9,123	–	–	12,041	9,123
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,856</u>	<u>25,060</u>	<u>31,979</u>
THE COMPANY						
Equity securities:						
Listed in Hong Kong, at market value	12,041	9,123	13,019	22,821	25,060	31,944
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	13,019	22,821	13,019	22,821
Current	12,041	9,123	–	–	12,041	9,123
	<u>12,041</u>	<u>9,123</u>	<u>13,019</u>	<u>22,821</u>	<u>25,060</u>	<u>31,944</u>

Notes to the Financial Statements

For the year ended 31 March 2003

16. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit period of 60 days to its trade customers.

An aged analysis of trade customers of the Group and the Company are as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Trade receivables				
Within 60 days	4,208	3,547	2,479	1,782
61-90 days	261	277	136	228
Over 90 days	589	483	144	303
	<u>5,058</u>	<u>4,307</u>	<u>2,759</u>	<u>2,313</u>
Other receivables	5,346	3,892	632	1,162
	<u>10,404</u>	<u>8,199</u>	<u>3,391</u>	<u>3,475</u>

17. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Bank loans	58,000	104,000	20,000	30,000
Bank overdrafts	3,553	3,991	1,665	1,765
	<u>61,553</u>	<u>107,991</u>	<u>21,665</u>	<u>31,765</u>
Less: Amount due within one year shown under current liabilities	(61,553)	(87,991)	(21,665)	(31,765)
Amount due over one year	<u>—</u>	<u>20,000</u>	<u>—</u>	<u>—</u>
Analysed as:				
Secured	59,888	106,226	20,000	30,000
Unsecured	1,665	1,765	1,665	1,765
	<u>61,553</u>	<u>107,991</u>	<u>21,665</u>	<u>31,765</u>

Notes to the Financial Statements

For the year ended 31 March 2003

18. SHARE CAPITAL

	2003 & 2002 <i>Number of shares</i>	2003 & 2002 <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$1 each	<u>200,000,000</u>	<u>200,000</u>
Issued and fully paid:		
Ordinary shares of HK\$1 each	<u>135,000,000</u>	<u>135,000</u>

19. RESERVES

	Share premium <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1 April 2001	43,216	(5,369)	491,191	529,038
Revaluation decrease not recognised in income statement	–	(5,716)	–	(5,716)
Profit for the year	–	–	19,364	19,364
Dividends paid	–	–	(16,200)	(16,200)
At 31 March 2002	43,216	(11,085)	494,355	526,486
Revaluation decrease not recognised in the income statement	–	(9,802)	–	(9,802)
Profit for the year	–	–	11,733	11,733
Dividends paid	–	–	(13,500)	(13,500)
At 31 March 2003	<u>43,216</u>	<u>(20,887)</u>	<u>492,588</u>	<u>514,917</u>

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK\$351,475,000 (2002: HK\$353,242,000) which is analysed as follows:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
The Company's retained profits as stated above	492,588	494,355
Less: Profit on transfer of property to a subsidiary	(141,113)	(141,113)
	<u>351,475</u>	<u>353,242</u>

Notes to the Financial Statements

For the year ended 31 March 2003

20. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance brought forward	3,339	3,730	–	–
Charge (credit) for the year (note 9)	4,200	(391)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance carried forward	<u>7,539</u>	<u>3,339</u>	<u>–</u>	<u>–</u>

At the balance sheet date, the major components of the potential deferred taxation (liabilities) assets, including the amounts which have been provided in the financial statements, are as follows:

	Amounts provided		Potential assets (liabilities)	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	(18,357)	(3,339)	(17,351)	(13,855)
Tax losses	10,561	–	10,995	13,929
Other timing differences	257	–	1,070	1,354
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>(7,539)</u>	<u>(3,339)</u>	<u>(5,286)</u>	<u>1,428</u>
THE COMPANY				
Tax effect of timing differences because of:				
Shortfall of tax allowances over depreciation	–	–	88	75
Other timing differences	–	–	692	790
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>–</u>	<u>–</u>	<u>780</u>	<u>865</u>

The remaining deferred taxation asset has not been recognised in the financial statements as it is not certain that the timing differences will crystallise in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 March 2003

20. DEFERRED TAXATION (Continued)

The amount of the unprovided deferred tax (charge) credit for the year is as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Tax effect of timing differences because of:				
Difference between tax allowances and depreciation	11,522	(629)	13	(10)
Tax losses arising	(13,495)	(1,926)	–	–
Other timing differences	(541)	(148)	(98)	(108)
	<u>(2,514)</u>	<u>2,703</u>	<u>(85)</u>	<u>(118)</u>

Deferred taxation has not been provided on the surplus arising on the revaluation of investment properties or investments in securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation difference does not constitute a timing difference for tax purposes.

21. PROVISION FOR LONG SERVICE PAYMENTS

The Group does 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 were as follows:

	THE GROUP		THE COMPANY	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Balance brought forward	8,667	8,845	5,222	5,458
Additional provision	206	475	–	–
Utilisation during the year	(290)	(653)	(99)	(236)
Write back of overprovision	(3,000)	–	(800)	–
Balance carried forward	<u>5,583</u>	<u>8,667</u>	<u>4,323</u>	<u>5,222</u>

In addition to the provision for long service payments, the Group has contributed to Mandatory Provident Fund Scheme for employees commencing from 1 December 2000 and the amount paid for the year is HK\$536,000 (2002: HK\$681,000).

Notes to the Financial Statements

For the year ended 31 March 2003

22. LOAN FROM A SUBSIDIARY

The amount is unsecured, interest free and has no fixed terms of repayment. Repayment of the amount will not be demanded within the next twelve months from the balance sheet date. Accordingly, the amount is shown as non-current.

23. CAPITAL COMMITMENTS

	THE GROUP	
	2003	2002
	HK\$'000	HK\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	<u>195</u>	<u>—</u>

At the balance sheet date, the Company did not have any significant capital commitment.

24. PLEDGE OF ASSETS

The Company's bank deposit of HK\$20,000,000 (2002: HK\$30,000,000) has been pledged to secure a short-term bank loan of HK\$20,000,000 (2002: HK\$30,000,000).

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$700,000,000 (2002: HK\$744,000,000) and HK\$6,093,000 (2002: HK\$6,294,000), respectively, were pledged to banks to secure general banking facilities of HK\$119,000,000 (2002: HK\$139,000,000) granted to the Group.

25. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year was HK\$57,992,000 (2002: HK\$52,612,000). The properties held have committed tenants for a term ranging from half year 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	
	2003	2002
	HK\$'000	HK\$'000
Within one year	41,328	45,604
In the second to fifth year inclusive	<u>27,635</u>	<u>25,470</u>
	<u>68,963</u>	<u>71,074</u>

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

Notes to the Financial Statements

For the year ended 31 March 2003

26. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2002: HK\$240,000) from a company in which a director of the Company has a beneficial interest. 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, and which is determined by reference to the prevailing market rates and the estimated costs incurred by the Group.

27. PARTICULARS OF SUBSIDIARIES

Particulars of subsidiaries at 31 March 2003 are as follows:

Name of company	Place of incorporation/ registration	Paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Chi Kee Investment Company Limited	Hong Kong	HK\$500,000 Ordinary shares	100%	–	Property investment
Chivas Godown Company Limited	Hong Kong	HK\$10,000,000 Ordinary shares	100%	–	Godown ownership and operation, and property investment
East Asia (Fujian) Property Development Co. Ltd.	Mainland China	US\$1,619,394 Registered capital	–	100%	Property investment
Fu Hing Property Limited	British Virgin Islands	US\$1 Ordinary share	–	100%	Inactive
Gaylake Limited	Hong Kong	HK\$1,000 Ordinary shares	100%	–	Property investment and property holding
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Property investment
On Luen Development Company Limited	Hong Kong	HK\$100,000 Ordinary shares	100%	–	Property investment and investment holding

Notes to the Financial Statements

For the year ended 31 March 2003

27. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ registration	Paid up capital	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Inactive
Safety Godown (China) Development Company Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Telerich Investment Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Inactive

East Asia (Fujian) Property Development Co. Ltd. is a wholly foreign owned enterprise.

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

Financial Summary

	For the year ended 31 March				
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Turnover	99,945	95,790	102,276	88,739	84,950
Profit before taxation	26,929	37,697	50,831	47,160	50,809
Taxation	(3,815)	(6,118)	(6,218)	(1,921)	(6,060)
Profit before minority interests	23,114	31,579	44,613	45,239	44,749
Minority interests	(1,261)	(985)	–	–	–
Profit for the year	21,853	30,594	44,613	45,239	44,749
At 31 March					
	1999	2000	2001	2002	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets and liabilities					
Total assets	1,139,221	931,825	935,455	939,997	923,023
Total liabilities	(398,100)	(203,244)	(199,330)	(151,069)	(111,117)
Minority interests	(12,427)	–	–	–	–
Shareholders' funds	728,694	728,581	736,125	788,928	811,906

Particulars of Major Properties

Particulars of properties which are held by the Group at 31 March 2003 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq. ft.</i>	Type
The whole of Safety Godown (except 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 container parking space No.8, 1/F, 5/F, 6/F, 7/F and part of 4/F) 60 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	210,000	Godown premises
Block No.D2 (including flat-roof appurtenance) 5th Floor at No.6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	2,810	Industrial premises

Particulars of Major Properties

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq.ft.</i>	Type
2 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	430,000	Industrial/ office
Flat roof on the third floor, five container spaces on the Ground Floor at 56 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	6,800	Flat roof/car parking spaces
1/F, 2/F, 4/F and 5/F of Safety Godown 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	149,422	Industrial/ godown premises
Container parking space No.8, 1/F, 5/F, 6/F, 7/F and part of 4/F of Chivas Godown 60 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	225,000	Godown premises

(c) Office premises and carpark in the Mainland China under medium-term land use right:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group <i>sq.ft.</i>	Type
Unit A on the 21st Floor and a carpark on the Ground Floor, International Building, Wusi Road, Fuzhou, Fujian Province, the People's Republic of China	Long lease	100%	4,100 (not including the carpark)	Commercial

Appendix – Explanatory Statement to Repurchase Shares

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) takes no responsibility for the contents of this Appendix, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Appendix.

General Mandate to Repurchase Shares

This Explanatory Statement, required to be sent to shareholders under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) in connection with the proposed general mandate for repurchase of shares to be granted to the Directors, contains all the information reasonably necessary to enable shareholders to make an informed decision on whether to vote for or against the relevant resolutions set out in the Notice of the Annual General Meeting dated 4th July 2003 (the “Notice”).

(a) *Exercise of the repurchase mandate*

Resolution no. 6(ii) set out in the Notice will, if passed, give a general unconditional mandate to the Directors authorising the repurchase by the Company of up to 10% of the fully paid shares of HK\$1 each in the capital of the Company (“Share”) in issue at the date of the Annual General Meeting to be held on 8th August 2003 at 12:00 noon, at any time until the end of the Relevant Period as defined in Resolution no. 6(ii)(c) set out in the Notice.

Accordingly, exercise in full of the repurchase mandate (on the basis of 135,000,000 shares in issue as at 11th July 2003, being the latest practicable date prior to the printing of this Appendix and assuming no Shares are issued or repurchased prior to the date of the Annual General Meeting) would result in up to 13,500,000 Shares being repurchased by the Company during the Relevant Period.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of the Company and its shareholders to have a general authority from shareholders to enable the Directors to repurchase Shares. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or its earning per Share and will only be made when the Directors believe that such repurchases will benefit the Company and its shareholders.

(c) *Funding of repurchases*

In repurchasing Shares, the Company may only apply funds legally available for such purpose in accordance with the laws of Hong Kong and the Memorandum and Articles of Association of the Company.

If the repurchase mandate were exercised in full, there could be a material adverse impact on the working capital or gearing position of the Company and its subsidiaries (the “Group”) (as compared with the position disclosed in the audited consolidated financial statements as at 31st March 2003). The Directors therefore do not propose to exercise the repurchase mandate to such an extent unless the Directors determined that such repurchases were, taking account of all relevant factors, in the best interests of the Group.

(d) *Directors, their associates and connected persons*

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates currently intends to sell any Shares to the Company or its subsidiaries under the repurchase mandate if such repurchase mandate is granted by shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Listing Rules and the laws of Hong Kong.

Appendix – Explanatory Statement to Repurchase Shares

(d) Directors, their associates and connected persons (cont'd)

If as a result of a share repurchase by the Company, a shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder, or a group of shareholders acting in concert, could, depending upon the level of increase in shareholding interest(s), obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Mr. Lu Sin (controlling 49.29%, before any share repurchase, and 54.77% after the full exercise of the general mandate) and Eaver Company Limited (beneficially owning 1.49%, before any share repurchase, and 1.65% after the full exercise of the general mandate) and parties acting in concert with them have already been controlling more than 50%, in aggregate, of the voting rights of the Company. The Directors are not aware of any consequences which may arise under the Takeovers Code as a result of any repurchases made under the repurchase mandate.

No other connected persons (as defined in the Listing Rules) have notified the Company that they have a present intention to sell Shares to the Company, or have undertaken not to do so, in the event that the repurchase mandate is approved by shareholders.

(e) Share prices

The Company has not repurchased any of the Shares (whether on the Stock Exchange or otherwise) in the six months preceding this Annual Report. The highest and lowest prices at which Shares of the Company have been traded on the Stock Exchange during each of the previous twelve months were as follows:–

	Highest HK\$	Lowest HK\$
2002		
July	—*	—*
August	—*	—*
September	—*	—*
October	3.400	3.400
November	3.400	3.350
December	—*	—*
2003		
January	3.275	3.100
February	3.200	3.200
March	3.000	3.000
April	2.000	2.000
May	1.960	1.910
June	2.200	1.950

* There was no transaction during the month.

Recommendation

The Directors consider that the proposed granting of the general mandates to the Directors to repurchase shares are in the best interests of the Company and the Shareholders. The Directors therefore recommend the Shareholders to vote in favour of the relevant resolutions.

By Order of the Board
Safety Godown Company, Limited
Lu Sin
Chairman

Hong Kong, 4 July 2003