

# 安全貨倉有限公司



SA F E T Y   G O D O W N   C O   L T D

年 報   A N N U A L   R E P O R T   2 0 0 5

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# Corporate Information

## Board of Directors

Lu Sin	<i>Chairman &amp; Managing Director</i>
Lui Chi Lung	<i>Executive Director</i>
Lu Yong Lee *	
Lee Ka Sze, Carmelo *	
Gan Khai Choon #	
Lam Ming Leung #	
Oen Min Tjin #	

\* 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

## Website

<http://www.safetygodown.com>

# Biographical Information of Directors

## Executive Directors

**Mr. Lu Sin**, aged 86, 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 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 and member of the Membership Committee of The University of Hong Kong Foundation for Educational Development and Research and is 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 a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region and was a member of the University Court of The University of Hong Kong. Mr. Lu is also an Honorary Professor of the Post-graduate School of the Chinese Academy of Social Science and an Honorary Fellow of The University of Hong Kong. Mr. Lu Sin is the father of Mr. Lui Chi Lung, Executive Director of the Company, and uncle of Mr. Lu Yong Lee, Non-executive Director of the Company.

**Mr. Lui Chi Lung**, aged 53, has been an Executive Director of the Company since 1990. He is also a Director of Kian Nan Financial Limited, a substantial shareholder of the Company. Mr. Lui has over 30 years experience in public godown operation and textile industry. He is the son of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lu Yong Lee, Non-executive Director of the Company.

## Non-executive Directors

**Mr. Lu Yong Lee**, aged 66, 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, and is also a Director of SEA Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Lu has over 35 years experience in property development and international trading. Mr. Lu is the nephew of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lui Chi Lung, Executive Director of the Company.

**Mr. Lee Ka Sze, Carmelo**, aged 45, has been a Director of the Company since 2000. Mr. Lee acted as an Independent Non-executive Director from 1 July 2000 to 28 September 2004 and has been a Non-executive Director since 28 September 2004. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a Non-executive Director of several listed public companies in Hong Kong, namely China Pharmaceutical Group Limited, Termbay Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and Hopewell Holdings Limited.

# Biographical Information of Directors

## Independent Non-executive Directors

**Mr. Gan Khai Choon**, aged 59, has been an Independent Non-executive 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 finance, property development, hotel management and international trading.

**Mr. Lam Ming Leung**, aged 53, 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. Oen Min Tjin**, aged 68, has been an Independent Non-executive Director of the Company since 28 September 2004. 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.

# Chairman's Statement

## Profit for the Year

The Group reported a profit attributable to shareholders of HK\$45,539,000 for the year ended 31 March 2005, which represents a decrease of 9.04% against the amount of HK\$50,066,000 in last year.

## Dividends

The Directors recommend the payment of a final dividend of 7 cents per share for the year 2005, amounting to HK\$9,450,000, to shareholders whose names appear on the register of members on 12 August 2005. Together with the interim dividend of 7 cents per share already paid, the total distribution for the year ended 31 March 2005 will be 14 cents per share. Total distribution for the previous year was 11 cents per share.

## Closure of Members Register

The Register of Members of the Company will be closed from Wednesday, 10 August 2005 to Friday, 12 August 2005, 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, 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 Tuesday, 9 August 2005.

## Business Review

Benefiting from the supportive and favourable policy implemented by the Central Government, the local retail and consumer markets have seen a considerable recovery. The property market has also begun to revive and the employment rate is on the rise, showing that Hong Kong's economy is steadily recovering from its downturn.

Although the macroeconomic adjustment in Mainland China temporarily held back the movement of goods, it also led to a sharp increase in demand for godown service from different sources at the beginning of the financial year. The Group's godowns were able to maintain a relatively high occupancy rate for a long time during the year under review. The flow of goods in the second quarter improved, yet with the fall in cotton price in the third quarter and the cancellation of quota restraints on garments in 2005, the turnover rate of goods in the second half of the year fluctuated slightly. Generally speaking, the godown business performed better this year, with a growth of 12% in revenue.

As the economy has rebounded and continued to improve, our warehouse property leasing business has also grown following the reviving property market. The vacancy rate fell and the rental income increased. Profits derived from the leasing of warehouse property remained stable during the year.

Average occupancy rate in Lu Plaza, however, dropped slightly in the face of the intensified competition in office leasing in Eastern Kowloon as a result of the increasing supply of industrial and commercial office premises in the region. The overall rental income from office property was lower than that in last year.

# Chairman's Statement

## Outlook

The godown business is still facing a number of uncertain factors in the year ahead. After the global textiles quota was lifted at the beginning of 2005, the surging textile product exports to the United States and Europe in the first quarter has led to a rise of protectionism in these territories. This constant trade conflict will adversely affect the export and re-export trades of Hong Kong and China. The volatility and persistent rise in raw material and oil prices are dampening the global economy. In addition, the mode of operation in logistics industry has changed, and increasing competition in godown business is expected. The growth of godown business will be difficult to maintain.

As most of the lease tenancies of warehouse property expire in the coming year, the increased demand for warehouse premises during the year will favour the negotiation for increase in rental prices of the renewable tenancies.

In the next two to three years, a large scale of office premises will become available in Eastern Kowloon, creating certain pressure on Lu Plaza's leasing activities. To ensure Lu Plaza stays competitive in rental market and to attract new tenants, the Group realises the importance of continued upgrading of Lu Plaza through recurrent repair and maintenance, continuous improvement and confinement of facilities and properties so as to enhance the performance and standard of the premises. The occupancy rate of Lu Plaza is expected to remain stable.

**Lu Sin**

*Chairman*

Hong Kong, 30 June 2005

# Five Year Financial Summary

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i> (Restated)	2003 <i>HK\$'000</i> (Restated)	2002 <i>HK\$'000</i> (Restated)	2001 <i>HK\$'000</i> (Restated)
<b>Profit and Loss Account</b>					
<b>Turnover</b>					
Godown operations	30,944	27,660	26,958	36,127	57,417
Property investment	50,520	55,000	57,992	52,612	44,859
Treasury investment	42,223	21,226	2,556	6,893	6,487
	<u>123,687</u>	<u>103,886</u>	<u>87,506</u>	<u>95,632</u>	<u>108,763</u>
<b>Profit attributable to shareholders</b>					
Godown operations	12,266	12,230	10,627	10,207	17,991
Property investment	34,192	39,273	45,336	42,854	44,307
Treasury investment	14,061	10,354	2,674	6,571	6,566
Unallocated corporate expenses	(5,735)	(5,487)	(5,436)	(7,283)	(7,543)
Profit from operation	54,784	56,370	53,201	52,349	61,321
Finance costs	(242)	(769)	(2,392)	(5,189)	(10,490)
Profit before taxation	54,542	55,601	50,809	47,160	50,831
Taxation	(9,003)	(5,535)	(5,189)	(1,921)	(6,218)
Attributable profit	<u>45,539</u>	<u>50,066</u>	<u>45,620</u>	<u>45,239</u>	<u>44,613</u>
<b>Balance Sheet</b>					
Total assets	1,099,042	961,395	923,023	939,997	935,455
Total liabilities	(79,945)	(75,314)	(114,270)	(151,069)	(199,330)
Shareholders' funds	<u>1,019,097</u>	<u>886,081</u>	<u>808,753</u>	<u>788,928</u>	<u>736,125</u>
<b>Per Share</b>					
Earnings per share	HK\$0.34	HK\$0.37	HK\$0.34	HK\$0.34	HK\$0.33
Dividends per share	14 cents	11 cents	9 cents	11 cents	12 cents
Dividend payout ratio	41.50%	29.66%	26.63%	32.83%	36.31%
Net asset value per share	HK\$7.55	HK\$6.56	HK\$5.99	HK\$5.84	HK\$5.45
<b>Ratios</b>					
Return on average shareholders' funds	4.78%	5.91%	5.71%	5.93%	6.09%
Current ratio	1.57:1	1.02:1	0.61:1	0.56:1	0.41:1
Gearing ratio	1.82%	2.47%	6.67%	11.49%	16.34%



# Five Year Financial Summary

## Notes:

- (1) Net asset value per share is calculated based on the net asset value and the number of shares in issue at balance sheet date.
- (2) Gearing ratio is calculated at the ratio of total interest bearing loans to total assets of the Group at balance sheet date.
- (3) In accordance with the revised HK SSAP9 "Events after the balance sheet date", dividends proposed by the Company after the balance sheet date are not recognised as a liability at the balance sheet date. Current liabilities and shareholders' funds for the year 2001 have been restated to reflect this change.
- (4) The above financial summary prior to 2002 has not been adjusted to take into account the effect on adoption of SSAP 12 (Revised) "Income taxes" as the directors consider that it is not practicable to do so.
- (5) Dividend payout ratio is calculated based on the dividends paid and proposed for the year and the relevant profit attributable to shareholders.
- (6) The summary results of the Group for the years from 2001 to 2004 have been restated so as to conform with the current year's presentation.

# Management Discussion and Analysis

## Group Turnover and Segment Results

### *Godown Operations*

Godown operation performed well in 2005. The turnover from godown operation increased significantly by 11.87% to HK\$30,944,000 as a result of revived economy over the course of the financial year. Average occupancy rates for Safety Godown and Chivas Godown stayed high at around 92% and 95% respectively. Benefiting from the revenue growth, the profit margin for the godown operation grew from 44.22% to 47.14%, while the segment results before provision of legal claims rose by 19% compared with the results achieved in last corresponding year. However, with the provision on legal claims this year, the operating profit generated from the godown operation kept at HK\$12,266,000 (2004: HK\$12,230,000).

### *Property investment*

Gross rental income generated from investment property decreased by 8.15% to HK\$50,520,000 (2004: HK\$55,000,000) while its operating profits decreased by 12.94% to HK\$34,192,000 (2004: HK\$39,273,000). The decline is principally attributable to an increase in office vacancy level after expiration of certain tenancies. Overall average occupancy level in investment property dropped this year. Office rents remained steady over the year.

As at 31 March 2005, the carrying value of investment property increased by HK\$90,400,000 (2004: H\$22,000,000) due to the increase in the valuation of the investment property portfolio following the recovery of the property market in Hong Kong. The increase in valuation was dealt with in the investment property revaluation reserve.

### *Treasury investment*

The Group achieved satisfactory results in treasury investment. The investment objective of the Group is to preserve the Group's capital while ensuring a return on capital over a period of time. During the year, the Group took advantage of the upward trend in Hong Kong stock market, resulting in a profit on treasury investment of HK\$14,061,000 (2004 (restated): HK\$10,354,000) which mainly included a gain on disposal of trading securities of HK\$7,985,000 (2004: HK\$4,731,000) and an unrealised holding gain on trading securities of HK\$4,019,000 (2004: HK\$4,492,000). As at 31 March 2005, the carrying value of the trading securities held by the Group increased by 207% to HK\$37,249,000 (2004: HK\$12,114,000), while the market value of long term securities investment appreciated by 46% to HK\$46,408,000 (2004: HK\$31,781,000).

## Financial Resources and Liquidity

The year on year improvement in the financial position of the Company was seen by its continued improvement in current ratio, gearing ratio and net asset value per share. As shown in the Five Year Financial Summary on page 7, the current ratios over the 5 years period enhanced substantially from the ratio of 0.41:1 in 2001 to 1.57:1 in 2005, and the gearing ratio improved from 16.34% in 2001 to 1.82% in 2005. Net asset value per share calculated based on the revalued net assets of the Group at 31 March 2005 amounted to HK\$7.55 per share which represents an appreciation of 38.53% over the 5 years period.

# Management Discussion and Analysis

As at 31 March 2005, the current ratio of the Group recorded at 1.57:1 (2004: 1.02:1) while the gearing ratio calculated at the ratio of total interest bearing loans to total assets of the Group were maintained at a very low level of 1.82% (2004: 2.47%).

The amount of interest paid during the year dropped to a record low of HK\$242,000 (2004: HK\$769,000) which was attributable to the low level of the Group's bank borrowings and the continued decline in interest rates. As at 31 March 2005, the Group's bank borrowings amounted to HK\$20,000,000 (2004: HK\$23,787,000) while the total bank balances including pledged bank deposits amounted to HK\$49,282,000 (2004: HK\$36,276,000), an increase of 35.85% over the comparative year.

## Dividend Policy

It is the Company's intention to provide shareholders with relatively consistent dividend income over the long term. The Five Year Financial Summary showed that the Company maintained a stable dividend payment over the last 5 years and the dividend payout ratio each year exceeded 25% of the profit attributable to shareholders.

## Contingent Liabilities

The Group's exposure to foreign currency risk is minimal as the functional currencies of the Group's operation are mainly Hong Kong dollars. While the Group's securities investment is exposed to stock market risk, the Group does not engage in any derivatives trading activities for trading or hedging purposes except for scrip dividend warrants received from securities investment. Hence it had no significant off-balance sheet or contingent liabilities as at 31 March 2005 other than three outstanding litigations relating to the following matters at the balance sheet date:—

- (a) Two claims were brought against the Group relating to certain damages alleged to be caused by defects in certain property previously owned by the Group and disputable income received by the Group.
- (b) A claim was brought against the Group for loss of storage goods. Subsequent to the balance sheet date, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group is now appealing against the judgment at the Court of Appeal.

The Directors are of the opinion that adequate provision has been made in the financial statements and the ultimate liability, if any, will not have a material impact upon the Group's financial position.

## Pledge of Assets

The Group's bank deposits in the amount of HK\$20 million (2004: HK\$20 million), investment properties with carrying value of HK\$795 million (2004: HK\$720 million) and property, plant and equipment with carrying value of approximately HK\$6 million (2004: HK\$6 million) have been pledged to banks to secure general banking facilities of HK\$72 million (2004: HK\$79 million) granted to the Group.

# Corporate Governance and Other Information

## Business Values

As a listed company, the Board of Directors and the management clearly understand that a prudent and open business practice is in the best interests of the Company and the public in the long-term. Therefore, we are committed to complying with the standards of corporate governance required by the laws of Hong Kong and adhere strictly to the Code of Best Practice of the Stock Exchange.

The Company has always placed importance on a well-established, sound and reasonable system of corporate governance by upholding our corporate governance culture, fostering ethical conduct among our staff and dedicating ourselves to community services.

As society continuously evolves, the standards of corporate governance for listed companies required by the Stock Exchange have also been raised. We are also reviewing our original corporate governance guide with reference to the newly introduced Code on Corporate Governance Practice.

I sincerely hope that the corporate governance guide will help us promote our standards of corporate governance, protect the interests of our shareholders and, in the long-term, lay stronger foundations for the Company's development.

## Corporate Governance Practices

The Company has complied with the Code of Best Practice as set out in the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited throughout the year, except that the non-executive directors of the Company were not appointed for a specific term but are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

The Code on Corporate Governance Practice introduced by the Stock Exchange in replacement and enhancement of the Code of Best Practice has become effective from 1 January 2005. The Company is in the process of reviewing its corporate governance practices to meet the provisions of the Code on Corporate Governance Practice.

A special resolution was passed at the last annual general meeting to amend the Company's Articles of Association to reflect recent amendments to the Companies Ordinance and the Listing Rules, to incorporate minor drafting improvements and align them more with current practices.

# Corporate Governance and Other Information

## The Board of Directors

The Board comprises two executive directors and five non-executive directors of which three of them are independent. The non-executive directors meet regularly with the management of the Company and review matters relating to financial statements, internal control, general compliance and substantial issues of the Group. Biographical information of all the Directors are presented on pages 3 to 4.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to rule 3.13 of the Listing Rules and the Company considers all independent non-executive directors to be independent.

In furtherance of good corporate governance, the Board has established two sub-committees: an Audit Committee and a Remuneration and Nomination Committee. The work of these committees is reported to the Board. The Board met 5 times during the period from April 2004 to May 2005. Agendas and accompanying meeting papers are circulated to all the directors and committee members where possible at least 48 hours before the time of a board meeting or committee meeting. Minutes of board meetings and committee meetings are taken by the Company Secretary and are available for all board members. The attendance of individual directors at the five board meetings is set out in the table below:–

<b>Directors</b>	<b>Attended/Eligible to attend</b>
<i>Executive Directors</i>	
Mr. Lu Sin	5/5
Mr. Lui Chi Lung	4/5
<i>Non-executive Directors</i>	
Mr. Lu Yong Lee	0/5
Mr. Lee Ka Sze, Carmelo	3/5
<i>Independent Non-executive Directors</i>	
Mr. Gan Khai Choon	2/5
Mr. Lam Ming Leung	4/5
Mr. Oen Min Tjin (appointed on 28 September 2004)	3/3

The Company has arranged directors liability insurance cover in respect of legal action against the Directors.

## Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 of the Listing Rules. A notice will be sent to each Director one month before the date of the board meeting to approve the Company's half year result and annual results reminding them that they cannot deal in the securities of the Company until after such results have been published, and that all his dealings must be conducted in accordance with the Model Code. All the Directors of the Company have confirmed that they have complied with the required standard set out in the Model Code.

# Corporate Governance and Other Information

## Audit Committee

The Audit Committee assists the Board in discharging its responsibilities for corporate governance, financial reporting, and corporate control. The members of Audit Committee comprise the three independent non-executive directors and one non-executive director, namely Mr. Gan Khai Choon as Chairman of the Audit Committee, Mr. Lam Ming Leung, Mr. Oen Min Tjin and Mr. Lee Ka Sze, Carmelo.

During the year, the Audit Committee has performed the following works:–

- (a) review with the management and external auditors the 2004 annual and 2005 interim financial statements;
- (b) review the internal control systems of the Group;
- (c) review the compliance issues with the regulatory and statutory requirements.

<b>Committee Members</b>	<b>Attended/Eligible to attend</b>
Mr. Gan Khai Choon	3/3
Mr. Lam Ming Leung	2/3
Mr. Oen Min Tjin (appointed on 28 September 2004)	1/2
Mr. Lee Ka Sze, Carmelo	3/3

## Remuneration and Nomination Committee

The members of Remuneration and Nomination Committee are Mr. Lu Sin, the Chairman of the Group and Mr. Lee Ka Sze, Carmelo, Non-executive Director of the Company.

The Committee is responsible for 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.

<b>Committee Members</b>	<b>Attended/Eligible to attend</b>
Mr. Lu Sin	3/3
Mr. Lee Ka Sze, Carmelo	3/3

# Corporate Governance and Other Information

## Employees

The Group has 82 employees at present. We pay particular attention to their work and benefits. In addition to reasonable pay increases and bonuses made on the recommendation of the Remuneration and Nomination Committee under the Board of Directors, we have also established effective communications with employees, and communications between employees themselves in order to enhance a close relationship between the employees and the Company. We also subsidise and encourage employees to take on continuing education in order to equip themselves with the greater knowledge that is needed for personal and business advancement. Additionally, we are committed to developing potential employees so that the Company's human resources replenishment and its management can be improved.

## Social Responsibilities and 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; jointly organising waste recycling campaigns and eco-tours with the Friends of the Earth; and making a donation to the World Vision for the Southeast Asia tsunami disaster relief. Staff of the Company have also participated as volunteers in the "Greening Hong Kong by PolyU Alumni" held by the Hong Kong Polytechnic University.

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

The Company has continued to implement the 5-S practice in order to create a safe and healthy workplace, and we have become a member of the Green Cross Group of the Occupational Safety and Health Council.

**Lu Sin**

*Chairman*

Hong Kong, 30 June 2005

# Directors' Report

The directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2005.

## 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 28 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 20.

An interim dividend of 7 cents per share, amounting to HK\$9,450,000, was paid to shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share, amounting to HK\$9,450,000, to the shareholders whose names appear on the register of members on 12 August 2005, and the retention of the remaining profit for the year of HK\$26,639,000.

## Investment Properties, Property, Plant and Equipment

The Group's investment properties were revalued at 31 March 2005, resulting in a net revaluation increase amounting to HK\$90,400,000 which has been credited to the 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. Lu Yong Lee

Mr. Wong Ker Lee (passed away on 1 May 2004)

Mr. Lee Ka Sze, Carmelo (re-designated from independent non-executive director to non-executive director on 28 September 2004)

### *Independent non-executive directors*

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Oen Min Tjin (appointed on 28 September 2004)



# Directors' Report

## Directors (Continued)

Subject to shareholders approval at the Annual General Meeting ("AGM") to be held on 12 August 2005, the Company's Articles of Association will be amended to effect adoption of the Corporate Governance Code such that every Director shall be subject to retirement by rotation at least once every three years at the AGM.

In accordance with Article 75 of the Company's Articles of Association, Mr. Oen Min Tjin shall retire at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Yong Lee and Mr. Lee Ka Sze, Carmelo shall 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 Securities

At 31 March 2005, 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:

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

*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 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 2005.

# 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.

## Directors' Interests in Contracts of Significance

Other than as disclosed in note 27 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 2005, 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 ordinary shares held		Percentage of issued share capital of the Company
	Direct interest	Indirect interest	
Eaver Company Limited	2,007,628	47,203,445 (Note)	36%
Kian Nan Financial Limited	47,203,445	–	35%
Fu Nan Enterprises Company Limited	11,999,661	–	9%

*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 relevant interests or short positions in the issued share capital of the Company at 31 March 2005.

## 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.

# Directors' Report

## Purchase, Sale or Redemption of Shares

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

## Distributable Reserves

At 31 March 2005, the Company's reserves available for distribution amounted to HK\$482,755,000.

## Emolument Policy

The emolument policy of the employees of the Group is set up 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 2005.

## Donations

During the year, the Group made charitable and other donations amounting to HK\$227,000.

## 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*

Hong Kong, 30 June 2005

# Auditors' Report



## TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED

(incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 46 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 financial statements and to report our opinion solely to you, as a body, in accordance with section 141 of the 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.

## Basis of Opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public 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 2005 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*

Hong Kong, 30 June 2005

# Consolidated Income Statement

For the year ended 31 March 2005

	Notes	2005 HK\$'000	2004 HK\$'000
Turnover	4	123,687	103,886
Other operating income		1,369	1,358
Unrealised holding gain on listed trading securities		4,019	4,492
Cost of listed trading securities sold		(31,906)	(15,257)
Staff costs		(19,360)	(19,491)
Depreciation and amortisation		(4,010)	(3,842)
Other operating expenses		(19,015)	(14,776)
		<hr/>	<hr/>
Profit from operations	5	54,784	56,370
Finance costs	6	(242)	(769)
		<hr/>	<hr/>
Profit before taxation		54,542	55,601
Taxation	9	(9,003)	(5,535)
		<hr/>	<hr/>
Profit for the year		45,539	50,066
		<hr/> <hr/>	<hr/> <hr/>
Dividends	10	18,900	14,850
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share – Basic	11	HK\$0.34	HK\$0.37
		<hr/> <hr/>	<hr/> <hr/>

# Balance Sheets

At 31 March 2005

	Notes	THE GROUP		THE COMPANY	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>NON-CURRENT ASSETS</b>					
Investment properties	12	<b>913,400</b>	823,000	–	–
Property, plant and equipment	13	<b>43,717</b>	47,425	<b>119</b>	137
Investments in subsidiaries	14	–	–	<b>774,398</b>	657,603
Investments in securities	15	<b>46,408</b>	31,781	<b>46,408</b>	31,781
		<u><b>1,003,525</b></u>	<u>902,206</u>	<u><b>820,925</b></u>	<u>689,521</u>
<b>CURRENT ASSETS</b>					
Trade and other receivables	16	<b>8,986</b>	10,678	<b>3,603</b>	3,211
Investments in securities	15	<b>37,249</b>	12,114	<b>37,212</b>	12,078
Tax recoverable		–	121	–	–
Pledged bank deposits		<b>20,000</b>	20,000	<b>20,000</b>	20,000
Bank balances and cash		<b>29,282</b>	16,276	<b>9,643</b>	216
		<u><b>95,517</b></u>	<u>59,189</u>	<u><b>70,458</b></u>	<u>35,505</u>
<b>CURRENT LIABILITIES</b>					
Other payables		<b>25,011</b>	25,855	<b>5,560</b>	6,193
Provision for legal claims	17	<b>13,679</b>	5,027	<b>3,343</b>	1,383
Amounts due to subsidiaries		–	–	<b>39,366</b>	25,875
Tax payable		<b>2,097</b>	3,201	<b>758</b>	1,800
Bank borrowings	18	<b>20,000</b>	23,787	<b>20,000</b>	20,520
		<u><b>60,787</b></u>	<u>57,870</u>	<u><b>69,027</b></u>	<u>55,771</u>
<b>NET CURRENT ASSETS (LIABILITIES)</b>					
		<u><b>34,730</b></u>	<u>1,319</u>	<u><b>1,431</b></u>	<u>(20,266)</u>
		<u><b>1,038,255</b></u>	<u>903,525</u>	<u><b>822,356</b></u>	<u>669,255</u>

# Balance Sheets

At 31 March 2005

	Notes	THE GROUP		THE COMPANY	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>CAPITAL AND RESERVES</b>					
Share capital	19	<b>135,000</b>	135,000	<b>135,000</b>	135,000
Reserves	20	<b>884,097</b>	751,081	<b>679,586</b>	527,931
		<u><b>1,019,097</b></u>	<u>886,081</u>	<u><b>814,586</b></u>	<u>662,931</u>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	21	<b>16,438</b>	12,150	–	–
Provision for long service payments	22	<b>2,720</b>	5,294	<b>1,694</b>	4,140
Amount due to a subsidiary	23	–	–	<b>6,076</b>	2,184
		<u><b>19,158</b></u>	<u>17,444</u>	<u><b>7,770</b></u>	<u>6,324</u>
		<u><b>1,038,255</b></u>	<u>903,525</u>	<u><b>822,356</b></u>	<u>669,255</u>

The financial statements on pages 20 to 46 were approved and authorised for issue by the Board of Directors on 30 June 2005 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 2005

	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 2003	135,000	43,216	174,549	(32,886)	42	488,832	808,753
Revaluation increase not recognised in the consolidated income statement	-	-	22,000	18,762	-	-	40,762
Profit for the year	-	-	-	-	-	50,066	50,066
Dividends	-	-	-	-	-	(13,500)	(13,500)
At 31 March 2004	135,000	43,216	196,549	(14,124)	42	525,398	886,081
Revaluation increase not recognised in the consolidated income statement	-	-	90,400	14,627	-	-	105,027
Profit for the year	-	-	-	-	-	45,539	45,539
Dividends	-	-	-	-	-	(17,550)	(17,550)
At 31 March 2005	<u>135,000</u>	<u>43,216</u>	<u>286,949</u>	<u>503</u>	<u>42</u>	<u>553,387</u>	<u>1,019,097</u>



# Consolidated Cash Flow Statement

For the year ended 31 March 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
<b>OPERATING ACTIVITIES</b>		
Profit from operations	54,784	56,370
Adjustments for:		
Interest income	(122)	(242)
Dividend income	(2,210)	(996)
Unrealised holding gain on listed trading securities	(4,019)	(4,492)
Gain on disposal of property, plant and equipment	–	(30)
Provision for legal claims	8,652	4,327
Depreciation and amortisation	4,010	3,842
	<hr/>	<hr/>
Operating cash flows before movements in working capital	61,095	58,779
Decrease (increase) in trade and other receivables	1,692	(274)
(Increase) decrease in investments in securities	(21,116)	4,419
Decrease in other payables	(844)	(9,484)
Decrease in provision for long service payments	(2,574)	(289)
	<hr/>	<hr/>
Cash generated from operations	38,253	53,151
Interest received	122	242
Dividend received from listed investments in securities	2,210	996
Hong Kong Profits Tax paid	(5,861)	(1,436)
Hong Kong Profits Tax refunded	163	899
	<hr/>	<hr/>
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>34,887</b>	<b>53,852</b>
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(302)	(1,932)
Proceeds from disposal of property, plant and equipment	–	30
	<hr/>	<hr/>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(302)</b>	<b>(1,902)</b>
	<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>		
Repayments of bank loans	(114,500)	(289,000)
Dividends paid	(17,550)	(13,500)
Interest paid	(242)	(769)
New bank loans raised	112,000	253,500
	<hr/>	<hr/>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(20,292)</b>	<b>(49,769)</b>
	<hr/>	<hr/>

# Consolidated Cash Flow Statement

For the year ended 31 March 2005

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>14,293</b>	2,181
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	<u>14,989</u>	<u>12,808</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD	<u><b>29,282</b></u>	<u>14,989</u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash	<b>29,282</b>	16,276
Bank overdrafts	<u>—</u>	<u>(1,287)</u>
	<u><b>29,282</b></u>	<u>14,989</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 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, treasury investment and the operation of public godowns. The principal activities of its principal subsidiaries are set out in note 28.

## 2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31 March 2005.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

## 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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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.

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

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

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 valuation 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 an investment property, 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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *Property, plant and equipment*

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

Depreciation and amortisation are 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 rights	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.

### *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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### *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. 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, such 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*

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 net profit as reported in the income statement because it excludes items of income and expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the 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 difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

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 the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### *Retirement benefit costs*

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

### *Provisions*

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION

### *Business segments*

Treasury investment is separately identified as a business segment in current year. Accordingly, certain comparative figures in consolidated income statement, consolidated cash flow statement and the relevant notes were reclassified to conform with current year's presentation.

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

Segment information about these businesses is presented below:

### For the year ended 31 March 2005

	<b>Godown operations</b> <i>HK\$'000</i>	<b>Property investment</b> <i>HK\$'000</i>	<b>Treasury investment</b> <i>HK\$'000</i>	<b>Eliminations</b> <i>HK\$'000</i>	<b>Consolidated</b> <i>HK\$'000</i>
<b>Turnover</b>					
External income	30,944	50,520	42,223	–	123,687
Inter-segment income	–	5,676	–	(5,676)	–
Total	<u>30,944</u>	<u>56,196</u>	<u>42,223</u>	<u>(5,676)</u>	<u>123,687</u>
Inter-segment income is charged at prevailing market rates.					
<b>Segment result</b>	<u>12,266</u>	<u>34,192</u>	<u>14,061</u>	<u>–</u>	60,519
Unallocated corporate expenses					<u>(5,735)</u>
Profit from operations					54,784
Finance costs					<u>(242)</u>
Profit before taxation					54,542
Taxation					<u>(9,003)</u>
Profit for the year					<u>45,539</u>



# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<b>Assets</b>				
Segment assets	50,000	916,102	128,551	1,094,653
Unallocated corporate assets				4,389
Consolidated total assets				<u>1,099,042</u>
<b>Liabilities</b>				
Segment liabilities	12,284	27,465	–	39,749
Unallocated corporate liabilities				40,196
Consolidated total liabilities				<u>79,945</u>

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Consolidated HK\$'000
<b>Other information</b>				
Capital expenditure	239	63	–	302
Depreciation and amortisation	<u>3,500</u>	<u>510</u>	<u>–</u>	<u>4,010</u>

For the year ended 31 March 2004

	Godown operations HK\$'000	Property investment HK\$'000	Treasury investment HK\$'000	Eliminations HK\$'000	Consolidated HK\$'000
<b>Turnover</b>					
External income	27,660	55,000	21,226	–	103,886
Inter-segment income	–	5,676	–	(5,676)	–
Total	<u>27,660</u>	<u>60,676</u>	<u>21,226</u>	<u>(5,676)</u>	<u>103,886</u>

Inter-segment income is charged at prevailing market rates.

<b>Segment result</b>	<u>12,230</u>	<u>39,273</u>	<u>10,354</u>	<u>–</u>	61,857
Unallocated corporate expenses					(5,487)
Profit from operations					56,370
Finance costs					(769)
Profit before taxation					55,601
Taxation					(5,535)
Profit for the year					<u>50,066</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 4. SEGMENT INFORMATION (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Assets</b>				
Segment assets	44,208	836,892	79,693	960,793
Unallocated corporate assets				602
Consolidated total assets				<u>961,395</u>
<b>Liabilities</b>				
Segment liabilities	13,517	22,165	–	35,682
Unallocated corporate liabilities				39,632
Consolidated total liabilities				<u>75,314</u>
<b>Other information</b>				
Capital expenditure	1,560	372	–	1,932
Depreciation and amortisation	3,124	718	–	3,842
Gain on disposal of property, plant and equipment	<u>30</u>	<u>–</u>	<u>–</u>	<u>30</u>

### *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.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 5. PROFIT FROM OPERATIONS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration	450	450
and after crediting:		
Gross rental income from investment properties	50,520	55,000
Less: outgoings	<u>(3,060)</u>	<u>(3,573)</u>
Net rental income	47,460	51,427
Bank interest income	122	242
Dividend income from listed investments	2,210	996
Gain on disposal of listed trading securities	7,985	4,731
Gain on disposal of property, plant and equipment	<u>–</u>	<u>30</u>

## 6. FINANCE COSTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interest on borrowings wholly repayable within five years:		
Bank	242	724
Others	<u>–</u>	<u>45</u>
	<u>242</u>	<u>769</u>

## 7. DIRECTORS' EMOLUMENTS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Directors' fees:		
Executive	90	60
Non-executive	130	40
Independent non-executive	207	145
Other emoluments – Executive directors:		
Salaries and other emoluments	3,290	3,289
Retirement benefits scheme contributions	<u>24</u>	<u>24</u>
Total emoluments	<u>3,741</u>	<u>3,558</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 7. DIRECTORS' EMOLUMENTS (Continued)

The emoluments of directors were within the following bands:

	Number of directors	
	2005	2004
Nil to HK\$1,000,000	6	5
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	<u>1</u>	<u>1</u>

## 8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2004: two) were executive directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining three (2004: three) individuals were as follows:

	2005	2004
	HK\$'000	HK\$'000
Salaries and other benefits	1,445	1,622
Retirement benefits scheme contributions	<u>36</u>	<u>34</u>
	<u>1,481</u>	<u>1,656</u>

The aggregate emoluments for each of the above-mentioned three (2004: three) employees during the year were within the Nil to HK\$1,000,000 band.

## 9. TAXATION

	2005	2004
	HK\$'000	HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,219	4,526
Overprovision in prior years	<u>(504)</u>	<u>(449)</u>
	4,715	4,077
Deferred taxation (note 21)	<u>4,288</u>	<u>1,458</u>
	<u>9,003</u>	<u>5,535</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 9. TAXATION (Continued)

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

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Profit before taxation	<u>54,542</u>	<u>55,601</u>
Tax at the domestic income tax rate of 17.5%	9,545	9,730
Tax effect of expenses not deductible for tax purpose	305	293
Tax effect of income not taxable for tax purpose	(406)	(211)
Tax effect of revaluation increase on investment properties restricted to capital allowances previously claimed	6,589	–
Tax effect of deductible temporary differences not recognised	–	512
Tax effect of tax losses not recognised	1,720	1
Tax effect of utilisation of deductible temporary differences previously not recognised	(404)	(3,194)
Tax effect of utilisation of tax losses previously not recognised	(7,290)	(2,464)
Effect of different tax rates of a subsidiary operating in other jurisdictions	(29)	(8)
Increase in opening deferred tax liabilities resulting from an increase in tax rate	–	1,002
Overprovision in prior years	(504)	(449)
Others	(523)	323
Taxation charge for the year	<u>9,003</u>	<u>5,535</u>

## 10. DIVIDENDS

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Interim dividend, paid – 7 cents (2004: 5 cents) per ordinary share	9,450	6,750
Final dividend, proposed – 7 cents (2004: 6 cents) per ordinary share	9,450	8,100
	<u>18,900</u>	<u>14,850</u>

A final dividend of 7 cents per share, amounting to HK\$9,450,000, for the year has been proposed by the directors and is subject to the approval by shareholders in the annual general meeting.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 11. EARNINGS PER SHARE – BASIC

The calculation of earnings per share is based on the profit for the year of HK\$45,539,000 (2004: HK\$50,066,000) and on 135,000,000 shares in issue throughout both years.

## 12. INVESTMENT PROPERTIES

	<b>THE GROUP</b> <i>HK\$'000</i>
VALUATION	
At 1 April 2004	823,000
Revaluation increase	90,400
	<hr/>
At 31 March 2005	<b>913,400</b>
	<hr/> <hr/>

The investment properties are rented out under operating leases. They were revalued at 31 March 2005 on an open market value basis by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors. The revaluation increase amounting to HK\$90,400,000 has been credited to investment property revaluation reserve.

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

	<b>2005</b> <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Long leases	<b>118,400</b>	103,000
Medium-term leases	<b>795,000</b>	720,000
	<hr/>	<hr/>
	<b>913,400</b>	<b>823,000</b>
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 13. PROPERTY, PLANT AND EQUIPMENT

	Godown premises in Hong Kong held under long leases <i>HK\$'000</i>	Godown premises in Hong Kong held under medium- term leases <i>HK\$'000</i>	Office premises and carpark in Mainland China held under medium-term land use right <i>HK\$'000</i>	Leasehold improvements, furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>						
<b>COST</b>						
At 1 April 2004	74,498	32,975	1,668	19,977	2,536	131,654
Additions	–	–	–	302	–	302
At 31 March 2005	<u>74,498</u>	<u>32,975</u>	<u>1,668</u>	<u>20,279</u>	<u>2,536</u>	<u>131,956</u>
<b>DEPRECIATION, AMORTISATION AND IMPAIRMENT</b>						
At 1 April 2004	38,200	26,068	770	17,941	1,250	84,229
Provided for the year	2,345	213	52	997	403	4,010
At 31 March 2005	<u>40,545</u>	<u>26,281</u>	<u>822</u>	<u>18,938</u>	<u>1,653</u>	<u>88,239</u>
<b>NET BOOK VALUES</b>						
At 31 March 2005	<u>33,953</u>	<u>6,694</u>	<u>846</u>	<u>1,341</u>	<u>883</u>	<u>43,717</u>
At 31 March 2004	<u>36,298</u>	<u>6,907</u>	<u>898</u>	<u>2,036</u>	<u>1,286</u>	<u>47,425</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

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

	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE COMPANY</b>			
<b>COST</b>			
At 1 April 2004	7,014	258	7,272
Additions	102	–	102
At 31 March 2005	<u>7,116</u>	<u>258</u>	<u>7,374</u>
<b>DEPRECIATION</b>			
At 1 April 2004	6,877	258	7,135
Provided for the year	120	–	120
At 31 March 2005	<u>6,997</u>	<u>258</u>	<u>7,255</u>
<b>NET BOOK VALUES</b>			
At 31 March 2005	<u>119</u>	<u>–</u>	<u>119</u>
At 31 March 2004	<u>137</u>	<u>–</u>	<u>137</u>

## 14. INVESTMENTS IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2005</b>	2004
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>31,780</b>	31,780
Loans to subsidiaries	<b>760,020</b>	786,455
	<b>791,800</b>	818,235
Less: Impairment loss and allowances recognised	<b>(17,402)</b>	(160,632)
	<b><u>774,398</u></b>	<u>657,603</u>

Except for the loans of approximately HK\$731,042,000 (2004: HK\$759,058,000) and HK\$3,633,000 (2004: HK\$3,705,000) which bear interest at 0.25% (2004: 0.25%) per annum and prime rate (2004: prime rate), respectively, the loans to subsidiaries are unsecured, interest free and have no fixed terms of repayment. The Company will not demand for repayment of the loans within the next twelve months from the balance sheet date. Accordingly, the loans are shown as non-current.

Details of the principal subsidiaries at 31 March 2005 are set out in note 28.



# Notes to the Financial Statements

For the year ended 31 March 2005

## 15. INVESTMENTS IN SECURITIES

	Trading securities		Other securities		Total	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
<b>THE GROUP</b>						
Equity securities:						
Listed in Hong Kong, at market value	<u>37,249</u>	<u>12,114</u>	<u>46,408</u>	<u>31,781</u>	<u>83,657</u>	<u>43,895</u>
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	46,408	31,781	46,408	31,781
Current	<u>37,249</u>	<u>12,114</u>	<u>–</u>	<u>–</u>	<u>37,249</u>	<u>12,114</u>
	<u>37,249</u>	<u>12,114</u>	<u>46,408</u>	<u>31,781</u>	<u>83,657</u>	<u>43,895</u>
<b>THE COMPANY</b>						
Equity securities:						
Listed in Hong Kong, at market value	<u>37,212</u>	<u>12,078</u>	<u>46,408</u>	<u>31,781</u>	<u>83,620</u>	<u>43,859</u>
Carrying amount analysed for reporting purposes as:						
Non-current	–	–	46,408	31,781	46,408	31,781
Current	<u>37,212</u>	<u>12,078</u>	<u>–</u>	<u>–</u>	<u>37,212</u>	<u>12,078</u>
	<u>37,212</u>	<u>12,078</u>	<u>46,408</u>	<u>31,781</u>	<u>83,620</u>	<u>43,859</u>

## 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	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Trade receivables				
Within 60 days	4,067	4,521	2,540	2,603
61-90 days	233	133	202	85
Over 90 days	<u>185</u>	<u>154</u>	<u>139</u>	<u>45</u>
	4,485	4,808	2,881	2,733
Other receivables	<u>4,501</u>	<u>5,870</u>	<u>722</u>	<u>478</u>
	<u>8,986</u>	<u>10,678</u>	<u>3,603</u>	<u>3,211</u>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 17. PROVISION FOR LEGAL CLAIMS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Balance brought forward	5,027	700	1,383	–
Additional provision	8,652	4,327	1,960	1,383
Balance carried forward	<u>13,679</u>	<u>5,027</u>	<u>3,343</u>	<u>1,383</u>

## 18. BANK BORROWINGS

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Bank loans	20,000	22,500	20,000	20,000
Bank overdrafts	–	1,287	–	520
	<u>20,000</u>	<u>23,787</u>	<u>20,000</u>	<u>20,520</u>
Analysed as:				
Secured	20,000	23,267	20,000	20,000
Unsecured	–	520	–	520
	<u>20,000</u>	<u>23,787</u>	<u>20,000</u>	<u>20,520</u>

All bank borrowings are due for repayment within one year.

## 19. SHARE CAPITAL

	2005 & 2004 Number of shares	2005 & 2004 HK\$'000
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>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 20. 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>
<b>THE COMPANY</b>				
At 1 April 2003	43,216	(20,887)	492,588	514,917
Revaluation increase not recognised in income statement	–	18,762	–	18,762
Profit for the year	–	–	7,752	7,752
Dividends	–	–	(13,500)	(13,500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2004	43,216	(2,125)	486,840	527,931
Revaluation increase not recognised in income statement	–	14,627	–	14,627
Profit for the year	–	–	154,578	154,578
Dividends	–	–	(17,550)	(17,550)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2005	<u>43,216</u>	<u>12,502</u>	<u>623,868</u>	<u>679,586</u>

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately HK\$482,755,000 (2004: HK\$345,727,000) which is analysed as follows:

	<b>2005</b> <b><i>HK\$'000</i></b>	2004 <i>HK\$'000</i>
The Company's retained profits as stated above	<b>623,868</b>	486,840
Less: Profit on transfer of property to a subsidiary	<b>(141,113)</b>	(141,113)
	<hr/>	<hr/>
	<b><u>482,755</u></b>	<b><u>345,727</u></b>

# Notes to the Financial Statements

For the year ended 31 March 2005

## 21. DEFERRED TAXATION

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

	<b>Accelerated tax depreciation</b> <i>HK\$'000</i>	<b>Tax losses</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 April 2003	10,692	–	10,692
Charge (credit) to income statement	2,756	(2,300)	456
Effect of change in tax rate	1,002	–	1,002
At 31 March 2004	14,450	(2,300)	12,150
Charge (credit) to income statement	9,688	(5,400)	4,288
At 31 March 2005	<u>24,138</u>	<u>(7,700)</u>	<u>16,438</u>

At 31 March 2005, the Group has unused tax losses of HK\$56,552,000 (2004: HK\$57,123,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such tax losses of HK\$44,000,000 (2004: HK\$12,900,000). In addition, the Group has deductible temporary differences of HK\$888,000 (2004: HK\$3,194,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$12,552,000 (2004: HK\$44,223,000) and the deductible temporary differences due to the unpredictability of future profit streams.

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

# Notes to the Financial Statements

For the year ended 31 March 2005

## 22. 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 are as follows:

	THE GROUP		THE COMPANY	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Balance brought forward	5,294	5,583	4,140	4,323
Additional provision	110	29	67	–
Utilisation during the year	(2,684)	(318)	(2,513)	(183)
Balance carried forward	<u>2,720</u>	<u>5,294</u>	<u>1,694</u>	<u>4,140</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 charged for the year is HK\$632,000 (2004: HK\$593,000).

## 23. AMOUNT DUE TO 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.

## 24. PLEDGE OF ASSETS

The Company's bank deposit of HK\$20,000,000 (2004: HK\$20,000,000) has been pledged to secure a bank loan of HK\$20,000,000 (2004: HK\$20,000,000).

In addition, the Group's investment properties and property, plant and equipment with carrying values of HK\$795,000,000 (2004: HK\$720,000,000) and HK\$5,713,000 (2004: HK\$5,903,000), respectively, have been pledged to banks to secure general banking facilities of HK\$72,000,000 (2004: HK\$79,000,000) granted to the Group.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 25. OPERATING LEASE ARRANGEMENTS

*The Group as lessor:*

Property rental income earned during the year was HK\$50,520,000 (2004: HK\$55,000,000). 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	
	2005	2004
	HK\$'000	HK\$'000
Within one year	29,298	41,288
In the second to fifth year inclusive	14,844	17,374
	<u>44,142</u>	<u>58,662</u>

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

## 26. OUTSTANDING LITIGATIONS

At the balance sheet date, there were two outstanding unresolved litigations that were brought against the Group. These cases relate to certain damage alleged to be caused by defects in certain property previously owned by the Group and disputable income received by the Group. The Group intends to strongly contest the claims and, while the final outcome of the proceedings is uncertain, the directors are of the opinion that adequate provision has been made in the financial statements and the ultimate liability, if any, will not have a material impact on the Group's financial position.

In addition, there was one outstanding unresolved litigation that was brought against the Group relating to the loss of storage goods. Subsequent to the balance sheet date, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group is now appealing against the judgment of the Court of First Instance at the Court of Appeal. The directors are of the opinion that it is too early to assess the outcome of the appeal at this stage and adequate provision has been made in the financial statements.

## 27. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2004: 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 is determined by the management of both parties.

# Notes to the Financial Statements

For the year ended 31 March 2005

## 28. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of principal subsidiaries at 31 March 2005 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%	–	Holding and operating godown, and property investment
East Asia (Fujian) Property Development Co. Ltd.	Mainland China	US\$1,619,394 Registered capital	–	100%	Property holding
Gaylake Limited	Hong Kong	HK\$1,000 Ordinary shares	100%	–	Property investment and holding godown
Genlink Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Property holding
Good Ready Investment 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
Rich China Development Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Securities trading
Safety Godown (China) Development Company Limited	Hong Kong	HK\$2 Ordinary shares	100%	–	Investment holding
Telerich Corporate Services Limited (formerly known as 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.

# Particulars of Major Properties

Particulars of properties which are held by the Group at 31 March 2005 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group sq. ft.	Type
The whole of Safety Godown (except 1/F, 2/F, 4/F and 5/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	271,578	Industrial/godown premises
The whole of Chivas Godown (except 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 parking 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