

# 安全貨倉有限公司



S A 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 7



Stock Code 股份代號 : 237

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# Corporate Information

## DIRECTORS

### Executive Directors

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

### Non-executive Directors

Mr. Lu Yong Lee  
Mr. Lee Ka Sze, Carmelo

### Independent Non-executive Directors

Mr. Gan Khai Choon  
Mr. Lam Ming Leung  
Mr. Leung Man Chiu, Lawrence

## SECRETARY

Mr. Wong Leung Wai

## BANKERS

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

## SOLICITORS

Woo, Kwan, Lee & Lo

## AUDITORS

Deloitte Touche Tohmatsu

## AUDIT COMMITTEE

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

## REMUNERATION AND NOMINATION COMMITTEE

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

## REGISTERED OFFICE

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

## REGISTRARS AND TRANSFER OFFICE

Standard Registrars Limited  
(to be renamed as Tricor Standard Limited  
with effect from 1 August 2007)  
26/F., Tesbury Centre,  
28 Queen's Road East,  
Hong Kong

## WEBSITE

<http://www.safetygodown.com>

## STOCK CODE

237

# Biographical Information of Directors

## EXECUTIVE DIRECTORS

**Mr. Lu Sin**, aged 88, is the founder of the Group and the Chairman and Managing Director of the Company. He is the Chairman and Managing Director of Kian Nan Financial Limited, and the Chairman and Permanent Managing Director of Fu Nan Enterprises Company Limited, all being substantial shareholders of the Company. He is also the Co-founder of Kian Nan Trading Co Limited. He has over 45 years experience in public godown operation, property development, textile industry and international trading. Mr. Lu is a Director of the Wuhan University, the Honorary President of Fujian Hong Kong Economic Development Association Limited and the Honorary President of Fujian Association of Enterprises with Foreign Investment. He was appointed an Advisor on Hong Kong Affairs to the Government of the People's Republic of China and had been a member of the Selection Committee for the First Government of the Hong Kong Special Administrative Region. He had also been a member of the University Court of The University of Hong Kong and a Director and a member of the Membership Committee of The University of Hong Kong Foundation for Educational Development and Research. Mr. Lu is also an Honorary Professor of the Post-graduate School of the Chinese Academy of Social Science and an Honorary Fellow of The University of Hong Kong. Mr. Lu Sin is the father of Mr. Lui Chi Lung, Executive Director of the Company, and uncle of Mr. Lu Yong Lee, Non-executive Director of the Company.

**Mr. Lui Chi Lung**, aged 55, has been an Executive Director of the Company since 1990. Mr. Lui had been a Director of Kian Nan Financial Limited, a substantial shareholder of the Company. Mr. Lui has over 30 years experience in public godown operation and textile industry. He is the son of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lu Yong Lee, Non-executive Director of the Company.

**Mr. Oen Min Tjin**, aged 70, has been a Director of the Company since 2004. Mr. Oen acted as an Independent Non-executive Director from 28 September 2004 to 16 June 2006 and has been an executive Director since 16 June 2006. Mr. Oen graduated from National Taiwan University. Mr. Oen is a Director of Ramada Bintang Bali Hotel, Bali, Indonesia. Mr. Oen was with Kian Nan Trading Co Limited from 1961 to 1978. Mr. Oen had been the Managing Director of ANTA Express from 1978 to 2005.

## NON-EXECUTIVE DIRECTORS

**Mr. Lu Yong Lee**, aged 68, has been a Non-executive Director of the Company since 1989. He is also a director of Eaver Company Limited, Fu Nan Enterprises Company Limited and Kian Nan Financial Limited, all being substantial shareholders of the Company. Mr. Lu had been a Director of SEA Holdings Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Lu has over 35 years experience in property development and international trading. Mr. Lu is the nephew of Mr. Lu Sin, the Chairman of the Company, and cousin of Mr. Lui Chi Lung, Executive Director of the Company.

**Mr. Lee Ka Sze, Carmelo**, aged 47, has been a Director of the Company since 2000. Mr. Lee acted as an Independent Non-executive Director from 1 July 2000 to 28 September 2004 and has been a Non-executive Director since 28 September 2004. Mr. Lee is a partner of Woo, Kwan, Lee & Lo. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from The University of Hong Kong. Mr. Lee is also a Non-executive Director of several listed public companies in Hong Kong, namely China Pharmaceutical Group Limited, Termbray Industries International (Holdings) Limited, Yugang International Limited, Y.T. Realty Group Limited, The Cross-Harbour (Holdings) Limited and Hopewell Holdings Limited. Mr. Lee is also an Independent Non-executive Director of KWG Property Holding Limited, another listed public company in Hong Kong.

# Biographical Information of Directors

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Gan Khai Choon**, aged 61, has been an Independent Non-executive Director of the Company since 1990. He is also an Executive Director of City e-Solutions Limited (formerly known as CDL Hotels International Limited, a company listed in The Stock Exchange of Hong Kong Limited) and Managing Director of Hong Leong International (Hong Kong) Limited. Mr. Gan has extensive experience in finance, property development, hotel management and international trading.

**Mr. Lam Ming Leung**, aged 55, has been an Independent Non-executive Director of the Company since 1 January 2004. Mr. Lam had been a director and general manager of The National Commercial Bank Limited, Hong Kong Branch.

**Mr. Leung Man Chiu, Lawrence**, aged 59, has been an Independent Non-executive Director of the Company since 16 June 2006. He is also an Independent Non-executive Director of Pak Fah Yeow International Limited, a company listed in The Stock Exchange of Hong Kong Limited. Mr. Leung is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He graduated in 1969 from the Hong Kong Technical College (now The Hong Kong Polytechnic University) with a diploma in accountancy and qualified himself as a certified public accountant in 1972. Mr. Leung is a practising certified public accountant and has been in public practice for over 36 years. He has extensive experience in accounting and auditing and had served in listing and auditing projects for a number of Hong Kong public listed companies. He is now practising as a partner in Tang and Fok.

# Chairman's Statement

## PROFIT FOR THE YEAR

The Group reported a profit attributable to shareholders of HK\$186,705,000 for the year ended 31 March 2007, which represents an increase of 11.5% against the amount of HK\$167,427,000 in last year.

## DIVIDENDS

The Board of Directors has resolved to recommend the payment of a final dividend of 7 cents per share and a special dividend of 8 cents per share for the year ended 31 March 2007, amounting to HK\$20,250,000, to shareholders whose names appear on the register of members on 24 August 2007 subject to the approval of shareholders at the forthcoming Annual General Meeting. The proposed final and special dividend will be despatched to shareholders on or about 31 August 2007. Together with the interim dividend of 7 cents per share already paid, the total distribution for the year ended 31 March 2007 will be 22 cents per share. Total distribution for the previous year was 16 cents per share.

## CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday, 22 August 2007 to Friday, 24 August 2007, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final and special dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Standard Registrars Limited, 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday, 21 August 2007.

## BUSINESS REVIEW

### Godown operation

During the review period, the growth rate of the Hong Kong economy was higher than expected. This was mainly the result of a combination of factors such as the decrease in oil price in the second half of the year, the stable US interest rate, moderate inflation, increased trade in the Mainland China and the Asia Pacific Region and the strong local demand, particularly the active financial market and a thriving stock market. All these offset the adverse effects brought about by the weak US market on the overall performance of Hong Kong's exports.

With the support of the above positive factors, the business environment of the logistics and storage industries in Hong Kong remained stable. The occupancy rate of the Group's godown remained steady and the annual performance was comparable to that of the previous year.

# Chairman's Statement

## Property investment

Riding on the upward trend of the continuous growth of the Hong Kong economy from last year, together with the favourable result in the sale of land by the Government in the first quarter of this year, the rent of Grade A commercial premises increased. Quite a number of tenants moved to rental premises of good quality in the non-core districts, such as Eastern Hong Kong Island and Eastern Kowloon. The Group is thus enjoying a satisfactory growth in the occupancy rate for both godown and office premises. The rent has also been adjusted according to the common increase in rent in the market. Therefore, revenues derived from rent increased compared with last year.

## OUTLOOK

### Godown operation

The chances of the US interest rate decreasing in the second half of the year are very slim. On the contrary, there is a high chance that the interest rate will increase. The environment of low interest rates may disappear. The global (including Mainland China) inflation rates are elevating, which means Hong Kong is facing keener competition with the Mainland China and foreign markets. In particular, the facilities of the large ports in the Mainland China are expanding at high speed, which facilitates the development of the logistics industry. This is further weakening Hong Kong's status as a re-export port. Goods are likely to stay in Hong Kong for a shorter period, making the godown business more difficult to operate.

Nevertheless, the external investment environment is still healthy in general. The appreciation of the Renminbi has cut the investment costs of mainlanders investing in Hong Kong. The widening of the QDII (Qualified Domestic Institutional Investors) investment scope will further boost the Hong Kong financial market and stimulate the desire of foreign investors to invest in Hong Kong, bringing prosperity to various sectors, including the logistics and storage industries. The successive redevelopment of industrial buildings will tighten the supply and push up the demand for godowns. In view of the favourable and unfavourable factors, we hope the godown business of the Group will remain stable.

### Property investment

The Group will continue to lease part of its godown premises to ensure a steady growth in rental income. The construction of a number of large high-quality office buildings in Hong Kong, particularly in Eastern Kowloon, will be completed soon. The big increase in supply will certainly put pressure on the leasing of Lu Plaza. In order to secure a stable occupancy rate and rental income in the years ahead, the Group will further upgrade the quality of its management service in Lu Plaza and will adjust the leasing strategy and rental rates timely according to market changes.

**Lu Sin**  
*Chairman*

Hong Kong, 13 July 2007

# Five Year Financial Summary

	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Consolidated Income Statement</b>					
<b>Turnover</b>					
Godown operation	30,797	30,769	30,944	27,660	26,958
Investment property	58,540	51,816	50,520	55,000	57,992
Treasury investment	64,839	59,817	42,223	21,226	2,556
	<b>154,176</b>	<b>142,402</b>	<b>123,687</b>	<b>103,886</b>	<b>87,506</b>
<b>Profit attributable to shareholders</b>					
Godown operation	12,850	12,514	12,266	12,230	10,627
Investment property	191,833	177,267	124,592	39,273	45,336
Treasury investment	24,009	17,802	14,061	10,354	2,674
Unallocated corporate expenses	(5,035)	(6,417)	(5,735)	(5,487)	(5,436)
Finance costs	—	(134)	(242)	(769)	(2,392)
Profit before taxation	223,657	201,032	144,942	55,601	50,809
Taxation	(36,952)	(33,605)	(26,025)	(5,535)	(5,189)
Profit for the year attributable to shareholders	<b>186,705</b>	<b>167,427</b>	<b>118,917</b>	<b>50,066</b>	<b>45,620</b>
<b>Consolidated Balance Sheet</b>					
Total assets	1,450,411	1,272,149	1,099,042	961,395	923,023
Total liabilities	(158,073)	(135,276)	(129,877)	(75,314)	(114,270)
Shareholders' funds	<b>1,292,338</b>	<b>1,136,873</b>	<b>969,165</b>	<b>886,081</b>	<b>808,753</b>
<b>Per Share</b>					
Earnings per share	HK\$1.38	HK\$1.24	HK\$0.88	HK\$0.37	HK\$0.34
Dividends per share	22 cents	16 cents	14 cents	11 cents	9 cents
Dividend payout ratio (Note 2)	42.95%	37.76%	41.50%	29.66%	26.63%
Net asset value per share	HK\$9.57	HK\$8.42	HK\$7.18	HK\$6.56	HK\$5.99
<b>Ratios</b>					
Return on average					
shareholders' funds	15.4%	15.9%	12.8%	5.91%	5.73%
Current ratio	6.01:1	3.01:1	1.58:1	1.02:1	0.61:1
Gearing ratio (Note 3)	—	—	1.82%	2.47%	6.67%

# Five Year Financial Summary

*Notes:*

- (1) Figures for 2005 to 2007 are stated in accordance with current accounting standards. Figures for 2003 and 2004 have not been restated in accordance with current accounting standards as it would involve delay and expenses out of proportion to the benefits to shareholders.
- (2) For consistent comparison with previous years, the dividend payout ratio for years 2005 to 2007 is calculated based on the total dividend distribution including the interim dividend paid and final and special dividends proposed for the year and the profit for the year attributable to shareholders after adjusting the effect on fair value changes in investment properties and the corresponding deferred tax adjustments.
- (3) Gearing ratio is calculated at the ratio of total interest bearing loans to total assets of the Group at balance sheet date.

# Management Discussion and Analysis

## OUR BUSINESS

The Group is principally engaged in godown operations, property investments and treasury investments. As at 31 March 2007, the Group's interests in office and godown premises totalled approximately 1,300,000 sq.ft..

## RESULTS

The total revenue of the Group was HK\$154,176,000, an increase of 8.3% compared with that of the year 2006. The increase in revenue was primarily due to the higher rental income received from the Group's investment properties and the good performance achieved in treasury investments.

The profit attributable to shareholders of the Company for the year 2007 was HK\$186,705,000, representing a rise of 11.5% compared with HK\$167,427,000 recorded in last year. Earnings per share amounted to HK\$1.38 (2006: HK\$1.24). The increase in profit for the year was mainly attributable to:-

- (a) rise of rental income received from the Group's property rental business;
- (b) increased gain from treasury investments; and
- (c) increase in fair value of the Group's investment properties.

Profit for the year excluding unrealised fair value gain on investment properties of HK\$142,500,000 (2006: HK\$133,600,000) amounted to HK\$44,205,000 (2006: HK\$33,827,000), reflecting an increase of 30.7% compared with last year.

## BUSINESS SEGMENT INFORMATION

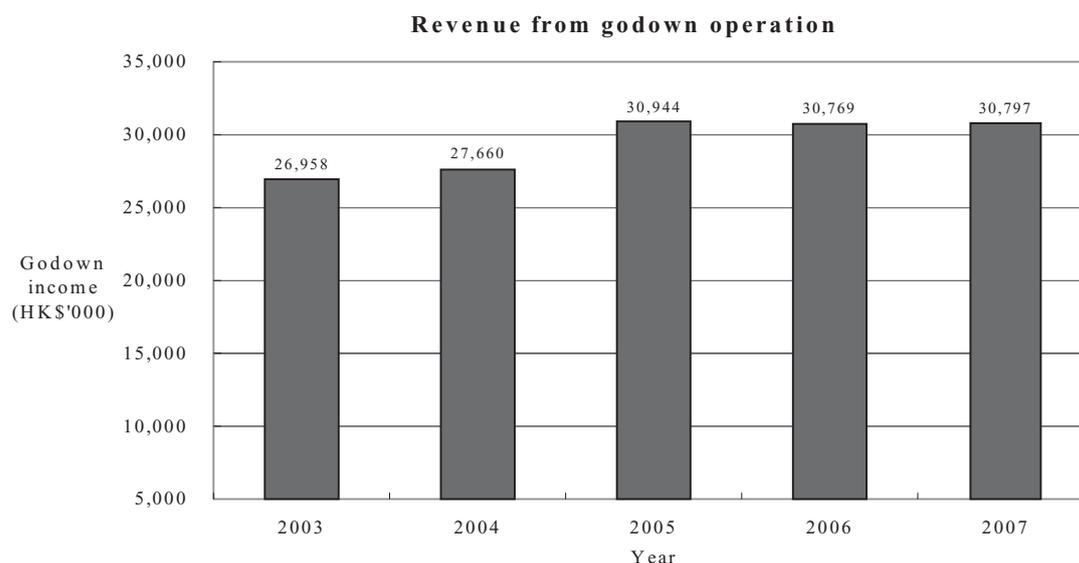
### Godown operation

Revenue from godown operation remain stable during the year with the amount kept at HK\$30,797,000 (2006: HK\$30,769,000). Occupancy rate of the godown remains at a high level. Profit generated from the godown operation continued to improve slightly by 2.7% to HK\$12,850,000 (2006: HK\$12,514,000) despite higher staff costs and pay rises due to change in labour market. The increase in profit was brought about by streamlining our godown operation and improvement in efficiency.

# Management Discussion and Analysis

## BUSINESS SEGMENT INFORMATION (Continued)

### Godown operation (Continued)



The chart shows the stable income stream generated from godown operation during the past 5 years

### Property investment

The Group continued to enjoy a high occupancy rate in Lu Plaza throughout the year ended 31 March 2007. Higher rents were achieved through both new and renewal tenancies. Total rental income received rose to HK\$58,540,000, representing a significant increase of 13% over last year. Profit from property rental business increased by 8.2% to HK\$191,833,000 (2006: HK\$177,267,000). Excluding the unrealised fair value gain on investment properties, the profit grew by 13% to HK\$49,333,000 (2006: HK\$43,667,000).

As at 31 March 2007, the investment properties of the Group were revalued at HK\$1,189,500,000 (2006: HK\$1,047,000,000) by independent professional valuers. An increase in fair value of HK\$142,500,000 (2006: HK\$133,600,000) was recorded, showing the booming condition of Hong Kong commercial and industrial property market during the year. All the investment properties are located in Hong Kong and the details are set out on page 59 of this Report.

# Management Discussion and Analysis

## BUSINESS SEGMENT INFORMATION (Continued)

### Property investment (Continued)



The chart shows the stable rental income stream achieved by the Group during the past 5 years

### Treasury investment

During the year under review, the treasury segment showed increases in both revenue and profits. Revenue grew by 8.4% to HK\$64,839,000 (2006: HK\$59,817,000) and profits rose by 34.9% to HK\$24,009,000 (2006: HK\$17,802,000) for the year. The main reason for the marked increase in profit was due to thriving stock market during the year.

The investment objective of the Group is to preserve the Group's capital while ensuring a return on capital over a period of time. The Group has formulated and followed disciplined investment guidelines and policies for treasury investments.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2007, the shareholders' funds amounted to HK\$1,292,338,000 or HK\$9.57 per share, representing an increase of HK\$155,465,000 or 13.7% from that of 31 March 2006.

The Group's bank balances and cash amounted to HK\$144,398,000 (2006: HK\$75,842,000). Current assets amounted to HK\$177,791,000 (2006: HK\$115,836,000) while current liabilities amounted to HK\$29,562,000 (2006: HK\$38,480,000). The Group did not have any bank loan during the year. The Group's primary source of financing for its operations during the year was cash flow generated from operating activities. Current ratio as at 31 March 2007 was 6.01 times (2006: 3.01 times) which indicate that the Group maintains a strong financial position.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES (Continued)

Cash generated from operation during the year was HK\$66,569,000 (2006: HK\$69,997,000), reflecting a strong business performance. Net cash generating from investing activities was HK\$23,039,000 (2006: HK\$15,267,000).

## 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

Details of contingent liabilities are set out in note 30 to the consolidated financial statements under the heading of outstanding litigations.

## PLEDGE OF ASSETS

At 31 March 2007, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$1,015,000,000 (2006: HK\$898,000,000) and HK\$5,333,000 (2006: HK\$5,523,000), respectively, to banks to secure general banking facilities to the extent of HK\$72,000,000 (2006: HK\$72,000,000) granted to the Group. At 31 March 2006 and 2007, no such facilities were utilised by the Group.

## EMPLOYEES

As at 31 March 2007, the Group employed approximately 78 employees. Total staff costs amounted to approximately HK\$20,294,000 for the year ended 31 March 2007 (2006: HK\$19,868,000). The remuneration policies are reviewed periodically on the basis of the nature of job, market trend, company performance and individual performance. The Group also provides internal training to staff and provides bonuses based upon staff performance and profits of the Group. The Group does not have any share option scheme for employees.

## FINANCIAL RISK AND MANAGEMENT

While the Group derives its revenue mainly in HK dollars, cash balances and marketable securities are maintained mainly in HK dollars, the Group's exposure to fluctuations in foreign currency is minimal. Available-for-sale investments and investments held for trading are subject to changes in market prices. The exposure to price changes is managed by closely monitoring the changes in market conditions that may have an impact on the market prices or factors affecting the value of these financial instruments. The Group will continue to adopt a disciplined approach to financial and investment risk management.

# Corporate Governance Report

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

The Company has complied with all code provisions of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the year ended 31 March 2007 except for the deviations from the code provision A.2.1. Further explanations are set out below.

## THE BOARD

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

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

Each of the Independent Non-executive Directors has made an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Board has assessed their independence and concluded that all the Independent Non-executive Directors are independent in accordance with the Listing Rules.

All the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Company’s Articles of Association and code provision A.4.1 of the CG Code.

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

All Directors have full access to accurate, relevant and timely information of the Group through management and are able to obtain independent professional advices on issues whenever deemed necessary by the Directors.

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

# Corporate Governance Report

## BOARD MEETINGS

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

<b>Composition of the Board</b>	<b>Number of meetings attended/held</b>
<i>Executive Directors</i>	
Lu Sin ( <i>Chairman and Managing Director</i> )	4/4
Lui Chi Lung	2/4
Oen Min Tjin	4/4
<i>Non-executive Directors</i>	
Lu Yong Lee	0/4
Lee Ka Sze, Carmelo	4/4
<i>Independent Non-executive Directors</i>	
Gan Khai Choon	3/4
Lam Ming Leung	4/4
Leung Man Chiu, Lawrence	4/4

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

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

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

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Lu Sin is the Chairman and the Chief Executive Officer of the Company. He is the founder and a substantial shareholder of the Company and has considerable industry experience. The Board considers this structure will not impair the balance of power and authority between the Board and the Management of the Group. The balance of power and authority can be ensured as over one-third of the Board members are represented by Independent Non-executive Directors throughout the year. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

The Chairman ensures that all Directors are properly briefed on issues arising at Board meetings. The Chairman is responsible for ensuring that directors receive adequate information in a timely manner.

# Corporate Governance Report

## REMUNERATION AND NOMINATION COMMITTEE

The Company has established a Remuneration and Nomination Committee with specific written terms of reference which deal clearly with its authority and duties. A majority of the members are Independent Non-executive Directors. The Committee comprises the Chairman of the Company, Mr. Lu Sin, two Independent Non-executive Directors, namely Mr. Lam Ming Leung and Mr. Leung Man Chiu, Lawrence, who were appointed on 16 June 2006, and one Non-executive Director Mr. Lee Ka Sze, Carmelo. Mr. Oen Min Tjin resigned as a committee member on 16 June 2006 upon his re-designation as an Executive Director.

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

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

During the year, two meetings were held and the attendance records of individual members at Remuneration and Nomination Committee meeting are as follows:-

<b>Name</b>	<b>Attended/Eligible to attend</b>
Lu Sin	2/2
Lee Ka Sze, Carmelo	2/2
Lam Ming Leung	2/2
Oen Min Tjin	1/1
Leung Man Chiu, Lawrence	1/1

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

- (a) re-election of Mr. Lu Yong Lee, Mr. Lee Ka Sze, Carmelo and Mr. Lam Ming Leung directors of the Company to be proposed for shareholders' approval at the 2007 Annual General Meeting;
- (b) assessed the independence of the Independent Non-executive Directors of the Company;
- (c) annual salary review for 2007 for all staff;
- (d) senior executives bonus;
- (e) staff cost budget; and
- (f) Directors' fees and fees for members of the Audit Committee and Remuneration and Nomination Committee.

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

# Corporate Governance Report

## AUDIT COMMITTEE

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

The principal duties of the Audit Committee include the review of the financial reporting, internal control and risk management systems of the Group, review of half-yearly and annual reports and accounts, review and monitor the appointment of the auditors and their independence.

The Audit Committee comprises three Independent Non-executive Directors and one Non-executive Director. The Committee is chaired by Mr. Gan Khai Choon. The other members are Mr. Lam Ming Leung, Mr. Leung Man Chiu, Lawrence and Mr. Lee Ka Sze, Carmelo. Both Mr. Gan and Mr. Leung possessed appropriate professional qualifications or accounting or related financial management expertise as required by the Listing Rules.

During the year, two meetings were held. All members of the Audit Committee attended the meetings. Minutes of the Audit Committee are circulated to members of the Audit Committee within a reasonable time after each meeting for their comment and record.

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

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

- (i) reviewed and recommended to the Board for approval the unaudited interim financial statements for the six months ended 30 September 2006. The Committee had discussions with management on significant judgements affecting the Group's financial statements;
- (ii) reviewed and discussed with management and external auditors the audited financial statements for the year ended 31 March 2007;
- (iii) reviewed the Group's internal control and risks management processes;
- (iv) reviewed, in conjunction with the auditors, the development of accounting standards and assessed their potential impacts on the Group's financial statements;
- (v) reviewed and considered the terms of engagement of the external auditors including assessing their independence and objectivity; and
- (vi) reviewed Compliance with the CG Code.

All matters raised by the Audit Committee have been addressed by Management. The work and findings of the Audit Committee have been reported to the Board. During the year, no issues brought to the attention of Management and the Board were of sufficient importance to require disclosure in the Annual Report.

# Corporate Governance Report

## AUDIT COMMITTEE (Continued)

The Board agrees with the Audit Committee's proposal for the re-appointment of Deloitte Touche Tohmatsu ("Deloitte") as the Group's external auditor for 2008. The recommendation will be presented for the approval of shareholders at the Annual General Meeting to be held on 24 August 2007.

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

Nature of services	2007 HK\$	2006 HK\$
Review fee for interim results	103,000	100,000
Audit fee for final results	670,000	638,000
Taxation consultancy services fee	70,500	67,000
Total audit and non-audit services	<u>843,500</u>	<u>805,000</u>

## FINANCIAL REPORTING

The Companies Ordinance requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year and of their respective profit or loss for the year then ended. In preparing the financial statements, the Directors have:

- (a) consistently applied appropriate accounting policies;
- (b) made judgements and estimates that are prudent and reasonable; and
- (c) prepared the accounts on the going concern basis.

The Board will present a balanced, clear and understandable assessment to annual and interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules, and reports to regulators as well as to information required to be disclosed pursuant to statutory requirements.

A statement by the auditors about their reporting responsibilities is included in the Independent Auditor's Report on page 24.

## INTERNAL CONTROL

The Board acknowledges that it is responsible for the Group's system of internal control and for reviewing its effectiveness in accordance with the code provision C.2 of the Listing Rules. The Group's system of internal control includes a defined management structure with limits of authority, and is designed to help the Group achieve its business objectives, safeguard its assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The system is designed to provide reasonable assurance against material misstatement or loss, and to manage risks of failure in the Group's operational systems and in the achievement of the Group's business objectives.

# Corporate Governance Report

## INTERNAL CONTROL (Continued)

During the year, the Group has conducted a general review of its system of internal control and the various aspects of its risks management function and the directors are satisfied that it is operating effectively.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by Directors of the Company. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard as set out in the Model Code for the year.

## INVESTOR RELATIONS

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

## SOCIAL SERVICES

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

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

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

**Lu Sin**  
*Chairman*

Hong Kong, 13 July 2007

# Directors' Report

The directors present their annual report and the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2007.

## PRINCIPAL ACTIVITIES

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

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2007 are set out in the consolidated income statement on page 25.

An interim dividend of 7 cents per share, amounting to HK\$9,450,000, was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of 7 cents per share and a special dividend of 8 cents per share, amounting to HK\$20,250,000, to the shareholders whose names appear on the register of members on 24 August 2007, and the retention of the remaining profit for the year of HK\$157,005,000.

## INVESTMENT PROPERTIES

Details of movements in investment properties of the Group during the year are set out in note 13 to the financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group and the Company during the year are set out in note 14 to the financial statements.

## DISTRIBUTABLE RESERVES OF THE COMPANY

At 31 March 2007, the Company's reserves available for distribution to shareholders comprised the retained profits of HK\$546,395,000 (2006: HK\$478,797,000). Details of the Company's distributable reserves are set out in note 25 to the financial statements.

# Directors' Report

## DIRECTORS

The directors of the Company during the year and up to the date of this report were:

### *Executive directors*

Mr. Lu Sin (*Chairman & Managing Director*)

Mr. Lui Chi Lung

Mr. Oen Min Tjin (Re-designated from independent non-executive director to executive director on 16 June 2006)

### *Non-executive directors*

Mr. Lu Yong Lee

Mr. Lee Ka Sze, Carmelo

### *Independent non-executive directors*

Mr. Gan Khai Choon

Mr. Lam Ming Leung

Mr. Leung Man Chiu, Lawrence (appointed on 16 June 2006)

In accordance with Articles 78 and 79 of the Company's Articles of Association, Mr. Lu Yong Lee, Mr. Lee Ka Sze, Carmelo and Mr. Lam Ming Leung shall retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Details of the Directors to be re-elected at the 2007 annual general meeting are set out in the circular to the shareholders sent together with this Annual Report.

No director of the Company proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The term of office for each non-executive and independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Articles of Association.

# Directors' Report

## DIRECTORS' INTERESTS IN SECURITIES

At 31 March 2007, 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 issued ordinary shares of the Company held (long position)			Total	Percentage of issued share capital of the Company
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)		
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:

1. Mr. Lu Sin was deemed to be interested in these 2,589,500 shares which were held by his spouse, Ms. Chan Koon Fung personally.
2. Mr. Lu Sin was deemed to be interested in these 59,553,445 shares which comprise:–
  - (i) 47,203,445 shares held through Kian Nan Financial Limited. Kian Nan Financial Limited was 63.27% held by Lusin and Company Limited which in turn was 70% controlled by Mr. Lu Sin;
  - (ii) 2,000,000 shares held through Lusin and Company Limited which was 70% controlled by Mr. Lu Sin; and
  - (iii) 10,350,000 shares held through Earngold Limited of which Mr. Lu Sin and his wife Chan Koon Fung indirectly owned in aggregate 50% of the issued share capital.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 31 March 2007.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Other than as disclosed in note 31 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

## SUBSTANTIAL SHAREHOLDERS

At 31 March 2007, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed "Directors' Interests in Securities" above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

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

*Note:*

1. Eaver Company Limited and Lusin and Company Limited were deemed to be interested in 47,203,445 shares of the Company by virtue of their 34.73% and 63.27% shareholding in Kian Nan Financial Limited respectively.
2. Ms. Chan Koon Fung, the spouse of Mr. Lu Sin, was taken to be interested in a total of 66,542,945 shares of the Company, representing approximately 49% of the issued shares of the Company, which comprise her personal interest and Mr. Lu Sin's interests in the shares of the Company as disclosed in the section headed "Directors' Interests in Securities" above.

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company at 31 March 2007.

## MAJOR CUSTOMERS AND SUPPLIERS

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

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

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

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

## APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

# Directors' Report

## 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 2007.

## DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$184,000.

## POST BALANCE SHEET EVENT

Details of a significant event occurring after the balance sheet date are set out in note 34 to the financial statements.

## CORPORATE GOVERNANCE

The Board of the Company are committed to maintain high standards of corporate governance. The Company has complied throughout the year ended 31 March 2007 with the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules, with exception of deviation. Detailed information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in pages 13 to 18 of the Annual Report.

## 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, 13 July 2007

# Independent Auditor's Report

**Deloitte.**

德勤

## **TO THE MEMBERS OF SAFETY GODOWN COMPANY, LIMITED**

*(incorporated in Hong Kong with limited liability)*

We have audited the consolidated financial statements of Safety Godown Company, Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 57, which comprise the consolidated and the Company's balance sheets as at 31 March 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## **Directors' responsibility for the consolidated financial statements**

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

## **Auditor's responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*

Hong Kong, 13 July 2007

# Consolidated Income Statement

For The Year Ended 31 March 2007

	Notes	2007 HK\$'000	2006 HK\$'000
Revenue	4	<u>154,176</u>	<u>142,402</u>
Income from godown operations		30,797	30,769
Income from property investment		58,540	51,816
Gains on investments			
Fair value gain on investments held for trading		7,730	14,701
Gain on disposals of available-for-sale investments		10,986	–
Interest income		2,975	1,828
Dividend income		2,827	2,404
Other income		2,679	1,281
Increase in fair value of investment properties		142,500	133,600
Staff costs		(20,294)	(19,868)
Depreciation of property, plant and equipment		(3,595)	(3,514)
Release of prepaid lease payments		(441)	(441)
Other expenses		(11,047)	(11,410)
Finance costs	6	–	(134)
Profit before taxation	9	<u>223,657</u>	<u>201,032</u>
Taxation	10	<u>(36,952)</u>	<u>(33,605)</u>
Profit for the year attributable to shareholders		<u>186,705</u>	<u>167,427</u>
Dividends	11		
Paid		<u>21,600</u>	<u>18,900</u>
Proposed		<u>20,250</u>	<u>12,150</u>
Earnings per share – Basic	12	<u>HK\$1.38</u>	<u>HK\$1.24</u>

# Balance Sheets

AT 31 MARCH 2007

	Notes	THE GROUP		THE COMPANY	
		2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
<b>Non-current assets</b>					
Investment properties	13	1,189,500	1,047,000	–	–
Property, plant and equipment	14	16,176	18,408	654	241
Prepaid lease payments	15	21,275	21,716	–	–
Investments in subsidiaries	16	–	–	30,031	30,031
Available-for-sale investments	17	45,669	69,189	45,669	67,287
		<u>1,272,620</u>	<u>1,156,313</u>	<u>76,354</u>	<u>97,559</u>
<b>Current assets</b>					
Prepaid lease payments	15	441	441	–	–
Investments held for trading	18	21,519	24,673	21,515	24,670
Trade and other receivables	19	10,359	14,811	3,230	8,282
Amounts due from subsidiaries	20	–	–	683,467	717,739
Tax recoverable		1,074	69	1,068	–
Bank balances and cash	21	144,398	75,842	117,926	54,829
		<u>177,791</u>	<u>115,836</u>	<u>827,206</u>	<u>805,520</u>
<b>Current liabilities</b>					
Other payables	23	27,909	26,359	5,313	5,513
Provision for legal claims	22	–	9,672	–	3,844
Amounts due to subsidiaries	23	–	–	9,758	61,843
Tax payable		1,653	2,449	–	1,383
		<u>29,562</u>	<u>38,480</u>	<u>15,071</u>	<u>72,583</u>
<b>Net current assets</b>					
		<u>148,229</u>	<u>77,356</u>	<u>812,135</u>	<u>732,937</u>
		<u>1,420,849</u>	<u>1,233,669</u>	<u>888,489</u>	<u>830,496</u>
<b>Capital and reserves</b>					
Share capital	24	135,000	135,000	135,000	135,000
Reserves	25	1,157,338	1,001,873	751,813	693,998
		<u>1,292,338</u>	<u>1,136,873</u>	<u>886,813</u>	<u>828,998</u>
<b>Non-current liabilities</b>					
Deferred tax liabilities	26	126,236	94,825	–	–
Provision for long service payments	27	2,275	1,971	1,676	1,498
		<u>128,511</u>	<u>96,796</u>	<u>1,676</u>	<u>1,498</u>
		<u>1,420,849</u>	<u>1,233,669</u>	<u>888,489</u>	<u>830,496</u>

The financial statements on pages 25 to 57 were approved and authorised for issue by the Board of Directors on 13 July 2007 and are signed on its behalf by:

**Lu Sin**  
Director

**Oen Min Tjin**  
Director

# Consolidated Statement of Changes in Equity

For The Year Ended 31 March 2007

	Share capital <i>HK\$'000</i>	Share premium <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 2005	135,000	43,216	503	42	790,404	969,165
Revaluation increase recognised	-	-	18,820	-	-	18,820
Exchange differences arising on translation of foreign operations	-	-	-	361	-	361
Total income recognised directly in equity	-	-	18,820	361	-	19,181
Profit for the year	-	-	-	-	167,427	167,427
Total recognised income for the year	-	-	18,820	361	167,427	186,608
Dividends paid	-	-	-	-	(18,900)	(18,900)
At 31 March 2006	135,000	43,216	19,323	403	938,931	1,136,873
Revaluation increase recognised	-	-	754	-	-	754
Exchange differences arising on translation of foreign operations	-	-	-	592	-	592
Total income recognised directly in equity	-	-	754	592	-	1,346
Profit for the year	-	-	-	-	186,705	186,705
Transfer to profit or loss upon disposal of available-for-sale investments	-	-	(10,986)	-	-	(10,986)
Total recognised (expenses) income for the year	-	-	(10,232)	592	186,705	177,065
Dividends paid	-	-	-	-	(21,600)	(21,600)
At 31 March 2007	135,000	43,216	9,091	995	1,104,036	1,292,338

# Consolidated Cash Flow Statement

For The Year Ended 31 March 2007

	2007 HK\$'000	2006 HK\$'000
<b>Operating activities</b>		
Profit before taxation	223,657	201,032
Adjustments for:		
Interest income	(2,975)	(1,828)
Increase in fair value of investment properties	(142,500)	(133,600)
Fair value gain on investments held for trading	(7,730)	(14,701)
Gain on disposal of available-for-sale investments	(10,986)	–
Reversal of provision for legal claims	(727)	(4,007)
Depreciation of property, plant and equipment	3,595	3,514
Release of prepaid lease payments	441	441
Gain on disposal of property, plant and equipment	(84)	–
Finance costs	–	134
	<hr/>	<hr/>
Operating cash flows before movements in working capital	62,691	50,985
Decrease (increase) in trade and other receivables	4,452	(5,825)
Decrease in investments held for trading	10,884	27,277
Increase in other payables	1,550	1,348
Decrease in provision for legal claims	(8,945)	–
Increase (decrease) in provision for long service payments	304	(749)
	<hr/>	<hr/>
Cash generated from operations	70,936	73,036
Interest received	2,975	1,828
Hong Kong Profits Tax paid	(7,342)	(4,867)
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	<b>66,569</b>	<b>69,997</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(1,340)	(772)
Purchase of available-for-sale investments	(1,140)	(3,961)
Proceeds on disposal of available-for-sale investments	25,414	–
Proceeds on disposal of property, plant and equipment	105	–
Decrease in pledged bank deposits	–	20,000
	<hr/>	<hr/>
<b>Net cash from investing activities</b>	<b>23,039</b>	<b>15,267</b>
<b>Financing activities</b>		
Repayments of bank borrowings	–	(20,000)
Dividends paid	(21,600)	(18,900)
Interest paid	–	(134)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(21,600)</b>	<b>(39,034)</b>
<b>Net increase in cash and cash equivalents</b>	<b>68,008</b>	<b>46,230</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>75,842</b>	<b>29,282</b>
<b>Effect of foreign exchange rate changes</b>	<b>548</b>	<b>330</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the year,</b> represented by bank balances and cash	<b>144,398</b>	<b>75,842</b>
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 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 “Stock Exchange”). The address of the registered office and principal place of business of the Company are disclosed in the section headed “Corporate Information” in the annual report.

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

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

## 2. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group and the Company have applied, for the first time, a new standard and a number of amendments and interpretations (“new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) that are effective for the financial year of the Group and the Company beginning on 1 April 2006. The adoption of the new HKFRSs has had no material effect on how the results and the financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

The Group and the Company have not early adopted the following new standards, amendment or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new standards, amendment or interpretations will have no material effect on the results and the financial position of the Group and the Company.

HKAS 1 (Amendment)	Capital Disclosures <sup>1</sup>
HKAS 23 (Revised)	Borrowing Costs <sup>7</sup>
HKFRS 7	Financial Instruments: Disclosures <sup>1</sup>
HKFRS 8	Operating Segments <sup>7</sup>
HK(IFRIC) – Int 8	Scope of HKFRS 2 <sup>2</sup>
HK(IFRIC) – Int 9	Reassessment of Embedded Derivatives <sup>3</sup>
HK(IFRIC) – Int 10	Interim Financial Reporting and Impairment <sup>4</sup>
HK(IFRIC) – Int 11	HKFRS 2 – Group and Treasury Share Transactions <sup>5</sup>
HK(IFRIC) – Int 12	Service Concession Arrangements <sup>6</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2007

<sup>2</sup> Effective for annual periods beginning on or after 1 May 2006

<sup>3</sup> Effective for annual periods beginning on or after 1 June 2006

<sup>4</sup> Effective for annual periods beginning on or after 1 November 2006

<sup>5</sup> Effective for annual periods beginning on or after 1 March 2007

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2008

<sup>7</sup> Effective for annual periods beginning on or after 1 January 2009

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

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

### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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 intra-group transactions, balances, income and expenses 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. Results of subsidiaries are accounted for by the Company on the basis of dividends received or receivable during the year.

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

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

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

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investment properties

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use or no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year in which the item is derecognised.

### Property, plant and equipment

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

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

### Owner-occupied leasehold interest in land

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

### 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.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment (Continued)

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

### Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

#### Financial assets

The Group's financial assets are classified into one of the three categories, including financial assets held for trading, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below:

##### *Financial assets held for trading*

At each balance sheet date subsequent to initial recognition, investments held for trading are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from subsidiaries and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment losses are reversed in subsequent periods when an increase in the asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to a restriction that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

##### *Available-for-sale financial assets*

Available-for-sale investments are non-derivatives that are either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale investments are measured at fair value. Changes in fair value are recognised in equity, until the investments are disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss. Any impairment losses on available-for-sale investments are recognised in profit or loss. Impairment losses on available-for-sale equity investments will not reverse in profit or loss in subsequent periods.

#### Financial liabilities and equity

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

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities (including other payables and amounts due to subsidiaries) are measured at amortised cost, using the effective interest method after initial recognition.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in its functional currency (that is the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies (Continued)

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

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary differences arise from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

### Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefit costs

Payments to defined contribution retirement benefit plan are charged as an expense when employees have rendered service entitling them to the contributions.

### 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.

## 4. REVENUE

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Income from godown operations	30,797	30,769
Income from property investment	58,540	51,816
Proceeds from sales of investments held for trading	59,037	55,585
Dividend income from listed investments	2,827	2,404
Interest income	2,975	1,828
	<hr/>	<hr/>
	<b>154,176</b>	142,402
	<hr/> <hr/>	<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 5. SEGMENT INFORMATION

### Business segments

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

Principal activities are as follows:

- Godown operations – Operation of godown
- Property investment – Leasing of investment properties
- Treasury investment – Securities trading and investment

Segment information about these businesses is presented below:

For the year ended 31 March 2007

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Revenue</i>					
External income	30,797	58,540	64,839	–	154,176
Inter-segment income	–	5,676	–	(5,676)	–
	<u>30,797</u>	<u>64,216</u>	<u>64,839</u>	<u>(5,676)</u>	<u>154,176</u>
Total	<u>30,797</u>	<u>64,216</u>	<u>64,839</u>	<u>(5,676)</u>	<u>154,176</u>
Inter-segment income is charged based on market/concessionary rates.					
<i>Segment result</i>	<u>12,850</u>	<u>191,833</u>	<u>24,009</u>	<u>–</u>	<u>228,692</u>
Unallocated corporate expenses					<u>(5,035)</u>
Profit before taxation					223,657
Taxation					<u>(36,952)</u>
Profit for the year attributable to shareholders					<u>186,705</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 5. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>				
Segment assets	41,713	1,196,026	204,013	1,441,752
Unallocated corporate assets				8,659
Consolidated total assets				<u>1,450,411</u>
<i>Liabilities</i>				
Segment liabilities	8,283	21,635	–	29,918
Unallocated corporate liabilities				128,155
Consolidated total liabilities				<u>158,073</u>
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Other information</i>				
Capital expenditure	1,319	21	–	1,340
Depreciation of property, plant and equipment	3,350	245	–	3,595
Release of prepaid lease payments	441	–	–	441

# Notes to the Financial Statements

For the year ended 31 March 2007

## 5. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

For the year ended 31 March 2006

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Revenue</i>					
External income	30,769	51,816	59,817	–	142,402
Inter-segment income	–	5,676	–	(5,676)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total	30,769	57,492	59,817	(5,676)	142,402
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Inter-segment income is charged based on market/concessionary rates.					
<i>Segment result</i>	12,514	177,267	17,802	–	207,583
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	
Unallocated corporate expenses					(6,417)
Finance costs					(134)
					<hr/>
Profit before taxation					201,032
Taxation					(33,605)
					<hr/>
Profit for the year attributable to shareholders					167,427
					<hr/> <hr/>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 5. SEGMENT INFORMATION (Continued)

### Business segments (Continued)

	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Assets</i>				
Segment assets	49,898	1,052,477	157,779	1,260,154
Unallocated corporate assets				11,995
				1,272,149
<i>Liabilities</i>				
Segment liabilities	12,065	25,494	–	37,559
Unallocated corporate liabilities				97,717
				135,276
	Godown operations <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Treasury investment <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<i>Other information</i>				
Capital expenditure	453	319	–	772
Depreciation of property, plant and equipment	3,109	405	–	3,514
Release of prepaid lease payments	441	–	–	441

### Geographical segments

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

## 6. FINANCE COSTS

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interest on bank borrowings wholly repayable within five years	–	134

# Notes to the Financial Statements

For the year ended 31 March 2007

## 7. DIRECTORS' EMOLUMENTS

The emoluments paid or payable to each of the eight (2006: seven) directors were as follows:

Name of directors	Lui Chi		Oen Min	Lu Yong	Lee Ka	Gan	Lam	Leung	Total
	Lu Sin	Lung	Tjin	Lee	Sze, Carmelo	Khai Choon	Ming Leung	Man Chiu, Lawrence	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2007									
Fees	60	30	30	20	110	80	110	87	527
Other emoluments									
Salaries and other benefits	2,119	1,170	532	-	-	-	-	-	3,821
Retirement benefits scheme contributions	-	24	-	-	-	-	-	-	24
<b>Total emoluments</b>	<b>2,179</b>	<b>1,224</b>	<b>562</b>	<b>20</b>	<b>110</b>	<b>80</b>	<b>110</b>	<b>87</b>	<b>4,372</b>
2006									
Fees	60	30	110	20	110	80	80	-	490
Other emoluments									
Salaries and other benefits	2,119	1,171	-	-	-	-	-	-	3,290
Retirement benefits scheme contributions	-	24	-	-	-	-	-	-	24
<b>Total emoluments</b>	<b>2,179</b>	<b>1,225</b>	<b>110</b>	<b>20</b>	<b>110</b>	<b>80</b>	<b>80</b>	<b>-</b>	<b>3,804</b>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 8. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, three (2006: two) were executive directors of the Company whose emoluments are included in note 7 above. The emoluments of the remaining two (2006: three) individuals were as follows:

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Salaries and other benefits	875	1,438
Retirement benefits scheme contributions	24	36
	<u>899</u>	<u>1,474</u>

The aggregate emoluments for each of the above-mentioned two (2006: three) employees during the year were less than HK\$1,000,000.

## 9. PROFIT BEFORE TAXATION

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	658	650
and after crediting:		
Gross rental income from investment properties	58,540	51,816
Less: direct operating expenses from investment properties that generated rental income during the year	<u>(2,590)</u>	<u>(4,520)</u>
Net rental income	55,950	47,296
Dividend income from listed securities		
– Available-for-sale investments	1,767	1,605
– Investments held for trading	1,060	799
Gain on disposal of property, plant and equipment	84	–
Interest income	<u>2,975</u>	<u>1,828</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 10. TAXATION

	2007 HK\$'000	2006 HK\$'000
The charge comprises:		
Hong Kong Profits Tax		
Current year	5,490	5,747
Under(over)provision in prior years	51	(597)
	<u>5,541</u>	<u>5,150</u>
Deferred taxation (note 26)	31,411	28,455
	<u>36,952</u>	<u>33,605</u>

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

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

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

	2007 HK\$'000	2006 HK\$'000
Profit before taxation	<u>223,657</u>	<u>201,032</u>
Tax at the domestic income tax rate of 17.5% (2006: 17.5%)	39,140	35,181
Tax effect of expenses not deductible for tax purpose	381	367
Tax effect of income not taxable for tax purpose	(2,690)	(691)
Tax effect of tax losses not recognised	136	60
Tax effect of utilisation of deductible temporary differences previously not recognised	(13)	(13)
Tax effect of utilisation of tax losses previously not recognised	(92)	(671)
Effect of different tax rates of a subsidiary operating in another jurisdiction	(74)	(57)
Under(over)provision in prior years	51	(597)
Others	113	26
	<u>36,952</u>	<u>33,605</u>
Tax charge for the year	<u>36,952</u>	<u>33,605</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 11. DIVIDENDS

	2007 <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Interim dividend paid in respect of 2007 – HK7 cents (2006: HK7 cents) per ordinary share	9,450	9,450
Final dividend paid in respect of 2006 – HK7 cents (2005: HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of 2006 – HK2 cents (2005: nil) per ordinary share	2,700	–
	<u>21,600</u>	<u>18,900</u>
Dividend proposed:		
Final dividend – HK7 cents (2006: HK7 cents) per ordinary share	9,450	9,450
Special dividend – HK8 cents (2006: HK2 cents) per ordinary share	10,800	2,700
	<u>20,250</u>	<u>12,150</u>

A final dividend of HK7 cents per share and a special dividend of HK8 cents per share, amounting to HK\$20,250,000, for the year have been proposed by the directors and is subject to the approval by shareholders in the forthcoming annual general meeting.

## 12. EARNINGS PER SHARE – BASIC

The calculation of basic earnings per share is based on the profit for the year attributable to shareholders of HK\$186,705,000 (2006: HK\$167,427,000) and on 135,000,000 shares in issue throughout both years.

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 13. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
AT FAIR VALUE	
At 1 April 2005	913,400
Increase in fair value	<u>133,600</u>
At 31 March 2006	1,047,000
Increase in fair value	<u>142,500</u>
At 31 March 2007	<u><u>1,189,500</u></u>

The fair value of the Group's investment properties at 31 March 2007 has been arrived at on the basis of a valuation carried out on that date by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, independent qualified professional valuers not connected with the Group. The directors of Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, Chartered Surveyors, who carry out the valuation, are members of the Hong Kong Institute of Surveyors, and have appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations. The valuation, which conformed to Hong Kong Institute of Surveyors Valuation Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties. The revaluation gave rise to a gain arising from changes in fair value of HK\$142,500,000 which has been credited to the consolidated income statement.

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

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

	<b>2007</b> <i>HK\$'000</i>	2006 <i>HK\$'000</i>
Long leases	<b>174,500</b>	149,000
Medium-term leases	<b>1,015,000</b>	<u>898,000</u>
	<u><b>1,189,500</b></u>	<u>1,047,000</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 14. 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 carparks in Mainland China held under medium-term land use rights <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 2005	47,612	32,975	1,668	20,279	2,536	105,070
Exchange adjustments	-	-	46	-	-	46
Additions	-	-	-	772	-	772
Write off	-	-	-	(113)	-	(113)
At 31 March 2006	47,612	32,975	1,714	20,938	2,536	105,775
Exchange adjustments	-	-	77	10	18	105
Additions	-	-	-	1,007	333	1,340
Write off/disposals	-	-	-	(799)	(504)	(1,303)
At 31 March 2007	47,612	32,975	1,791	21,156	2,383	105,917
<b>DEPRECIATION</b>						
At 1 April 2005	36,257	26,281	822	18,938	1,653	83,951
Exchange adjustments	-	-	15	-	-	15
Provided for the year	1,904	213	52	942	403	3,514
Eliminated on write off	-	-	-	(113)	-	(113)
At 31 March 2006	38,161	26,494	889	19,767	2,056	87,367
Exchange adjustments	-	-	33	10	18	61
Provided for the year	1,904	213	52	987	439	3,595
Eliminated on write off/disposals	-	-	-	(799)	(483)	(1,282)
At 31 March 2007	40,065	26,707	974	19,965	2,030	89,741
<b>CARRYING VALUES</b>						
At 31 March 2007	<u>7,547</u>	<u>6,268</u>	<u>817</u>	<u>1,191</u>	<u>353</u>	<u>16,176</u>
At 31 March 2006	<u>9,451</u>	<u>6,481</u>	<u>825</u>	<u>1,171</u>	<u>480</u>	<u>18,408</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 14. 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 2005	7,116	258	7,374
Additions	237	–	237
At 31 March 2006	7,353	258	7,611
Additions	352	333	685
Write off/disposals	(768)	(258)	(1,026)
At 31 March 2007	6,937	333	7,270
<b>DEPRECIATION</b>			
At 1 April 2005	6,997	258	7,255
Provided for the year	115	–	115
At 31 March 2006	7,112	258	7,370
Provided for the year	189	83	272
Eliminated on write off/disposals	(768)	(258)	(1,026)
At 31 March 2007	6,533	83	6,616
<b>CARRYING VALUES</b>			
At 31 March 2007	404	250	654
At 31 March 2006	241	–	241

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

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

At 31 March 2007, the cost of fully depreciated property, plant and equipment that is still in use was amounted to approximately HK\$19,179,000 (2006: HK\$18,233,000).

# Notes to the Financial Statements

For the year ended 31 March 2007

## 15. PREPAID LEASE PAYMENTS

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

	THE GROUP	
	2007 HK\$'000	2006 HK\$'000
Current assets	441	441
Non-current assets	21,275	21,716
	<u>21,716</u>	<u>22,157</u>

## 16. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007 HK\$'000	2006 HK\$'000
Unlisted shares, at cost	31,780	31,780
Less: Impairment loss recognised	(1,749)	(1,749)
	<u>30,031</u>	<u>30,031</u>

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

## 17. AVAILABLE-FOR-SALE INVESTMENTS

	THE GROUP		THE COMPANY	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	<u>45,669</u>	<u>69,189</u>	<u>45,669</u>	<u>67,287</u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 18. INVESTMENTS HELD FOR TRADING

	THE GROUP		THE COMPANY	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Equity securities listed in Hong Kong, at fair value based on quoted market bid prices	<b>21,519</b>	24,673	<b>21,515</b>	24,670

## 19. TRADE AND OTHER RECEIVABLES

The Group and the Company have a policy of allowing credit period of 60 days to its trade customers.

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

	THE GROUP		THE COMPANY	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Trade receivables				
Within 60 days	<b>4,269</b>	4,777	<b>2,468</b>	3,072
61-90 days	<b>102</b>	708	<b>68</b>	230
Over 90 days	<b>334</b>	183	<b>134</b>	81
	<b>4,705</b>	5,668	<b>2,670</b>	3,383
Other receivables	<b>5,654</b>	9,143	<b>560</b>	4,899
	<b>10,359</b>	14,811	<b>3,230</b>	8,282

## 20. AMOUNTS DUE FROM SUBSIDIARIES

Except for the amounts of HK\$665,137,000 (2006: HK\$701,943,000) and HK\$3,652,000 (2006: HK\$3,621,000) which bear interest at 0.25% (2006: 0.25%) per annum and prime rate (2006: prime rate) with effective interest rate of 7.75% (2006: 6.78%) per annum, respectively, the amounts due from subsidiaries are unsecured, interest free and recoverable within one year.

## 21. BANK BALANCES AND CASH

Bank balances and cash comprise cash and deposits held by the Group with an original maturity of three months or less, carrying variable interest rates ranging from 2% to 4% (2006: 1% to 4%) per annum.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 22. PROVISION FOR LEGAL CLAIMS

	THE GROUP		THE COMPANY	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Balance brought forward	9,672	13,679	3,844	3,343
Additional provision	–	651	–	651
Utilisation during the year	(8,945)	(651)	(3,464)	(150)
Reversal of provision	(727)	(4,007)	(380)	–
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Balance carried forward	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>	<u>          </u> <u>          </u>

The details of the related litigations are set out in note 30.

## 23. OTHER FINANCIAL LIABILITIES

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

## 24. SHARE CAPITAL

	<i>Number of shares</i>	<i>HK\$'000</i>
Ordinary shares of HK\$1 each		
Authorised:		
At beginning and at end of the years 2006 and 2007	200,000,000	200,000
	<u>          </u>	<u>          </u>
Issued and fully paid:		
At beginning and at end of the years 2006 and 2007	135,000,000	135,000
	<u>          </u>	<u>          </u>

# Notes to the Financial Statements

For the year ended 31 March 2007

## 25. 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 2005	43,216	12,502	623,868	679,586
Revaluation increase recognised directly in equity	–	18,370	–	18,370
Profit for the year	–	–	14,942	14,942
Total recognised income for the year	–	18,370	14,942	33,312
Dividends paid	–	–	(18,900)	(18,900)
At 31 March 2006	43,216	30,872	619,910	693,998
Revaluation increase recognised directly in equity	–	157	–	157
Transfer to profit or loss upon disposal of available-for-sale investments	–	(9,940)	–	(9,940)
Profit for the year	–	–	89,198	89,198
Total recognised income for the year	–	(9,783)	89,198	79,415
Dividends paid	–	–	(21,600)	(21,600)
At 31 March 2007	43,216	21,089	687,508	751,813

# Notes to the Financial Statements

For the year ended 31 March 2007

## 25. RESERVES (Continued)

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to HK\$546,395,000 (2006: HK\$478,797,000) which is analysed as follows:

	2007 HK\$'000	2006 HK\$'000
The Company's retained profits as stated above	687,508	619,910
Less: Profit on transfer of property to a subsidiary	(141,113)	(141,113)
	<u>546,395</u>	<u>478,797</u>

## 26. DEFERRED TAX LIABILITIES

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

	Fair value adjustment of investment properties HK\$'000	Accelerated tax depreciation HK\$'000	Tax losses HK\$'000	Total HK\$'000
At 1 April 2005	50,216	23,854	(7,700)	66,370
Charge to income for the year	23,380	3,199	1,876	28,455
At 31 March 2006	73,596	27,053	(5,824)	94,825
Charge to income for the year	24,938	3,246	3,227	31,411
At 31 March 2007	<u>98,534</u>	<u>30,299</u>	<u>(2,597)</u>	<u>126,236</u>

At 31 March 2007, the Group has unused tax losses of HK\$23,826,000 (2006: HK\$42,017,000) available for offset against future profits that may be carried forward indefinitely. A deferred tax asset has been recognised in respect of such tax losses of HK\$14,840,000 (2006: HK\$33,280,000). No deferred tax asset has been recognised in respect of the remaining tax losses of HK\$8,986,000 (2006: HK\$8,737,000) due to the unpredictability of future profit streams. In addition, the Group has deductible temporary differences of HK\$741,000 (2006: HK\$814,000) for which no deferred tax has been recognised due to the same reason.

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 27. PROVISION FOR LONG SERVICE PAYMENTS

The Group did not have any formal retirement scheme before participating in the Mandatory Provident Fund Scheme, but makes provision for long service payments on an annual basis. The directors are of the opinion that the provision at the balance sheet date is sufficient to cover the Group's probable obligations. The level of such provision will be reviewed on an annual basis and adjusted as appropriate.

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

	THE GROUP		THE COMPANY	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Balance brought forward	1,971	2,720	1,498	1,694
Additional provision	410	–	270	–
Utilisation during the year	(106)	(749)	(92)	(196)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance carried forward	<b>2,275</b>	1,971	<b>1,676</b>	1,498

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\$615,000 (2006: HK\$637,000).

## 28. PLEDGE OF ASSETS

At 31 March 2007, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$1,015,000,000 (2006: HK\$898,000,000) and HK\$5,333,000 (2006: HK\$5,523,000), respectively, to banks to secure general banking facilities to the extent of HK\$72,000,000 (2006: HK\$72,000,000) granted to the Group. At 31 March 2006 and 2007, no such facilities were utilised by the Group.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 29. OPERATING LEASE ARRANGEMENTS

*The Group as lessor:*

Property rental income earned during the year was HK\$58,540,000 (2006: HK\$51,816,000). 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	
	2007	2006
	HK\$'000	HK\$'000
Within one year	44,389	48,136
In the second to fifth year inclusive	28,009	29,634
	<hr/>	<hr/>
	72,398	77,770
	<hr/> <hr/>	<hr/> <hr/>

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

## 30. OUTSTANDING LITIGATIONS

At 31 March 2006, two outstanding unresolved litigations were outstanding, and had the following development during the year.

- (a) One outstanding unresolved litigation was brought against the Group relating to disputable income received by the Group. During the year, the case was settled out of court, and the claims were fully paid by the Group.
- (b) Another outstanding unresolved litigation was brought against the Group relating to the loss of storage goods. In April 2005, the Group was adjudged by the Court of First Instance to be liable to the claims. After taking senior counsel's opinion, the Group had appealed against the judgment of the Court of First Instance at the Court of Appeal. On 4 April 2006, the Court of Appeal upheld the judgment of the Court of First Instance and the claims were fully paid by the Group.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 31. RELATED PARTY TRANSACTIONS

During the year, the Group received a reimbursement of expenses amounting to HK\$240,000 (2006: 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.

The key management personnel of the Group are all directors. Details of their remuneration are disclosed in note 7. The remuneration of directors and senior executives is determined by the Remuneration and Nomination Committee and/or the board of directors, having regard to the performance of individuals and market trends.

## 32. FINANCIAL INSTRUMENTS

### a. Financial risk management objectives and policies

The Group's and the Company's major financial instruments include available-for-sale investments, investments held for trading, trade and other receivables, amounts due from subsidiaries, bank balances, other payables and amounts due to subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### Market risk

##### (i) Currency risk

The Group's financial assets and financial liabilities are substantially denominated in Hong Kong dollar which is the functional currency of the Company and its majority subsidiaries. Accordingly, the management considers the foreign currency risk to the Group is not significant.

##### (ii) Interest rate risk

The Group's interest rate risk relates primarily to bank deposits. The fair value interest rate risk is limited as the interest rate of bank deposits is variable. The management monitors the cash flow interest rate risk exposure and will take action should the need arises.

##### (iii) Price risk

The Group is exposed to equity security price risk through its available-for-sale investments and investments held for trading. The management manages this exposure by monitoring closely market fluctuations and maintaining a portfolio of investments with different risk profiles.

# Notes to the Financial Statements

For the year ended 31 March 2007

## 32. FINANCIAL INSTRUMENTS (Continued)

### a. Financial risk management objectives and policies (Continued)

#### Credit risk

The Group's and the Company's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations as at 31 March 2007 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the balance sheet. The Group's and the Company's credit risk is primarily attributable to its trade receivables. The amounts stated in the balance sheets are net of allowances for doubtful recovery of receivables estimated by management based on the age of the debts, their knowledge of customers' credit-worthiness, management's prior experience and their assessment of the current economic environment. Management reviews the recoverable amounts of significant trade receivables regularly to ensure adequate allowances for doubtful recovery are recognised if considered appropriate.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong with exposure spread over a number of counterparties and customers.

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

### b. Fair value

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

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices and ask prices, respectively.
- The fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of company	Place of incorporation/ registration	Paid-up/ registered 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	Hong Kong	HK\$2 Ordinary shares	100%	–	Inactive

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

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

# Notes to the Financial Statements

For the year ended 31 March 2007

## 34. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, the Group has disposed of its office premises and carparks held in Mainland China, which was included in property, plant and equipment, with a carrying value of HK\$817,000 as at 31 March 2007 at a consideration of HK\$1,395,000.

## 35. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current year's presentation. The proceeds from disposal of investments held for trading, which was previously included in revenue, and the cost of investments held for trading sold, which was previously shown in the consolidated income statement as a separate line item, have been included in fair value gain on investments held for trading. In addition, the Group presents its total revenue for information only.

## Particulars of Major Properties

Particulars of properties which are held by the Group at 31 March 2007 are as follows:

(a) Industrial/godown premises in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group sq.ft.	Type
The whole of Safety Godown (except 1/F, 2/F, 4/F and 5/F) 132-140 Kwok Shui Road, Kwai Chung, New Territories, Hong Kong	Medium-term lease	100%	271,578	Industrial/godown premises
The whole of Chivas Godown (except 1/F, 4/F, 5/F, 6/F, 7/F) 60 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	216,900	Godown premises
Block No.D2 (including flat-roof appurtenance) 5th Floor at No.6 Wing Yip Street, Kwun Tong, Kowloon, Hong Kong	Medium-term lease	100%	2,810	Industrial premises

## Particulars of Major Properties

(b) Investment properties in Hong Kong:

Location	Lease term	Effective interest held	Approximate floor area attributable to the Group sq.ft.	Type
2 Wing Yip Street, Kwun Tong, Kowloon Hong Kong	Medium-term lease	100%	430,000	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
1/F, 4/F, 5/F, 6/F, 7/F of Chivas Godown 60 Ka Yip Street, Chai Wan, Hong Kong	Long lease	100%	223,100	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 sq.ft.	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 (excluding the carpark)	Commercial

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