



SAFETY GODOWN COMPANY, LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock code: 237)

INTERIM REPORT 2008/2009

GROUP RESULTS

The Board of Directors of Safety Godown Company, Limited (the "Company") announces that the unaudited consolidated loss attributable to shareholders for the six months ended 30 September 2008 was HK\$9,944,000 (2007: profit of HK\$71,984,000). Loss per share for the period was HK7.4 cents (2007: earnings per share HK53.3 cents). The interim financial report is unaudited, but has been reviewed by Deloitte Touche Tohmatsu in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

DIVIDENDS

The Directors have declared an interim dividend of HK4 cents per share (2007: an interim dividend of HK7 cents per share and a special dividend of HK3 cents per share) for the six months ended 30 September 2008 to shareholders whose names appear in the Register of Members of the Company on Friday 9 January 2009. The interim dividend will be paid on or about Friday 16 January 2009.

BUSINESS REVIEW

Godown Operation

China's economic development largely depends on export trade. With financial problems in developed countries in Europe and the US surfacing one after the other recently, the economy of China and Hong Kong were badly affected. Fortunately, we had already changed the mode of operation of our godown business in an effort to minimise the impact of the unstable economy. A considerable number of godown spaces had been changed to investment property for leasing purposes. As a result, although the revenue from godown business declined, we were guaranteed of a steady rental income.

Property Investment

In the first half of the year, the impact of the sub-prime mortgage crisis in the US began to flow to Hong Kong. The availability of new sites in the Eastern Kowloon area also put pressure on the leasing business of our property investment. Fortunately, occupancy of the Group's investment properties was maintained at a satisfactory rate in the first half of the year. Rents of some tenancies were revised upwards upon renewal, and leased area of industrial warehouse also expanded. With all these facts, overall rental revenue of the leasing business raised during the period.

Treasury Investment

At this time of financial tsunami, the stock markets and foreign exchange markets had seen historically rare fluctuations. Our treasury investment suffered a loss of approximately HK\$15,336,000 in the first half of the year. Nevertheless, as stated in the announcement published on 20 November 2008, we were still financially sound, as at 12 December 2008, the Group's cash balance on hand is about \$230 million. We reiterate that we are not holding any currency or equity accumulator contract.

OUTLOOK

The scale of the financial crisis in the US is greater than expected and its consequences are unrolling at a higher speed than usual. The global financial tsunami triggered by it continues to create serious damages and aftermaths. Bank credit crunch and poor consuming mood have produced negative effects. It is expected that many business enterprises in Hong Kong will face a difficult time. The market will remain fairly volatile in the next one or two years, and our godown and leasing businesses will undoubtedly be affected. We do not hold much expectation on our performance for the next one or two years. Consequently, our strategy in godown business will focus on domestic demands in a bid to maintain stable performance in the godown business. While the local real estate market is also prone to a downturn, property prices and rents are evidently under pressure for a downward adjustment. We will endeavour to keep a steady performance in our property investment, and will further enhance our cost-control measures, streamline our operation process and control operation costs at a reasonable level. In view of the uncertainty of the property market, the Group may record deficit in revaluation of the investment properties in future. In terms of treasury investment, we will adopt stringent measures for corporate risk management and control. Under this volatile market environment, our treasury investment will concentrate primarily in currency asset investments and will monitor our equity investment portfolios closely. Looking forward, the Group will also strive to explore other business opportunities and to expand its business network.

FINANCIAL REVIEW

During the period, the Group reported the total revenue of HK\$55,363,000, an increase of 12% compared against the revenue of HK\$49,429,000 in the last corresponding period. Loss for the period amounted to HK\$9,944,000 (2007: profit of HK\$71,984,000) which was mainly attributable to the decrease in fair value of investment properties in the amount of HK\$39,475,000 during the period (2007: fair value gain in investment properties of HK\$28,300,000) and fair value loss in investments held for trading and foreign exchange loss in the aggregate amount of HK\$17,335,000 (2007: fair value gain in investments held for trading and foreign exchange gain in the aggregate amount of HK\$12,072,000). If excluding the effect on revaluation decrease/increase in investment properties, the Group's profit should be HK\$23,018,000 (2007: HK\$48,636,000).

Godown Operation

The godown business was quite stable during the period. However, turnover in godown operation recorded a decrease of 7.65% to HK\$12,693,000 (2007: HK\$13,744,000). Despite reduction in godown revenue as a result of the reposition of some godown space to investment properties, profit from the godown operation was kept at HK\$5,062,000 (2007: HK\$5,062,000).

Property Investment

Leasing business of the Group continued to grow. Rental income generated from investment properties increased by 27.94% to HK\$40,552,000 (2007: HK\$31,695,000). Profit from property investment segment before fair value changes in investment properties was HK\$34,479,000, an increase in profit of 25.39% compared to HK\$27,497,000 earned in last corresponding period. The growth was mainly attributable to both higher occupancy and rental rates and the increase in investment properties space during the period.

During the period, the Group acquired some industrial properties in the amount of HK\$35,091,000 for rental income purposes.

At 30 September 2008, the total value of investment properties of the Group was revalued at HK\$1.368 billion (31.3.2008: HK\$1.372 billion). The Group accounted for a decrease in fair value in investment properties of HK\$39,475,000 (2007: increase of HK\$28,300,000).

Treasury Investment

The global stock markets had been affected by the recent financial tsunami initiated in the U.S. financial markets. Hong Kong stock market experienced significant corrections. The treasury investment segment recorded a loss of HK\$15,336,000 (2007: profit of HK\$26,919,000) which was mainly attributable to the fair value loss in investments held for trading of HK\$9,026,000 and losses of HK\$8,309,000 in foreign exchange on time deposits. During the period, the market value of available-for-sale investments dropped by 16.99% from HK\$32,997,000 to HK\$27,391,000. The losses in foreign exchange included a realised loss of HK\$2,850,000 and an unrealised loss of HK\$5,459,000. The loss in investments held for trading included a realised loss of HK\$5,055,000 and an unrealised loss of HK\$3,971,000.

In this volatile market, we continued to remain vigilant and monitor our investment portfolio rigorously. As at 30 September 2008, the market value of investments held for trading compared to that at 31 March 2008 reduced by 35.91% to HK\$7,086,000. The investment portfolio only accounted for approximately 3.18% of the Group's current assets or 0.43% of the Group's total assets. The investment portfolio included primarily listed equity securities.

LIQUIDITY AND FINANCIAL RESOURCES

The financial position of the Group is solid with a substantial cash balance of HK\$206,411,000 as at 30 September 2008 (31.3.2008: HK\$235,936,000). The liquidity and capital ratios of the Group remained strong. The current ratio at balance sheet date was 5.49 times (31.3.2008: 7.22 times). The Group does not have any borrowings and the Group is in net cash position. The Group's net cash generated from operating activities during the period amounted to HK\$26,388,000 (2007: HK\$54,611,000). During the period, HK\$35,475,000 was invested in purchasing and improving investment properties.

As at 30 September 2008, total net asset value of the Group amounted to HK\$1.447 billion (31.3.2008: HK\$1.482 billion) which represented a net asset value per share of HK\$10.72 (31.3.2008: HK\$10.98).

EXPOSURE OF FOREIGN EXCHANGE

The Group's assets, liabilities, income and expenses are mainly dominated in Hong Kong Dollars. The Company's exposure to foreign exchange fluctuation derived mainly from its foreign currency time deposits. As at balance sheet date, the Group's foreign currency time deposits amounted to HK\$78,743,000 (31.3.2008: HK\$56,732,000). The Group is closely monitoring fluctuations in the currencies market in order to minimise the effect of foreign exchange risk on the Group's financial position. As at 30 September 2008, the Group had no financial investment for foreign exchange hedging purposes.

FINANCIAL RISK AND MANAGEMENT

We have established internal control system to protect against loss arising through fraud, unauthorised activities, errors and system malfunctions. An external auditor was engaged to perform independent reviews of the internal control systems.

The Group is exposed to securities 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.

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

The Group is exposed to foreign exchange fluctuations for certain bank balances. The Group closely monitors the related exchange rates and, whenever appropriate, takes necessary action to reduce exchange risk.

The Group regularly reviewed its tenant mix and its policies on the collection of rental and outstanding debts. Rental deposits are received in advance from tenants to mitigate the potential default risks.

PLEDGE OF ASSETS

At 30 September 2008, the Group has pledged its investment properties and property, plant and equipment with carrying values of HK\$88,700,000 (31.3.2008: HK\$1,078,700,000) and HK\$5,048,000 (31.3.2008: HK\$5,143,000), respectively, to banks to secure general banking facilities to the extent of HK\$69,000,000 (31.3.2008: HK\$72,000,000) granted to the Group. At 30 September 2008, no such facilities were utilised by the Group.

EMPLOYEES

As at 30 September 2008, the Group employed a total of 77 employees (2007: 79 employees). The total staff costs for the period ended 30 September 2008 was slightly increased to HK\$10,214,000 (2007: HK\$9,825,000).

DIRECTORS' INTERESTS IN SECURITIES

At 30 September 2008, the interests of the directors and their associates in the shares of the Company as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 371 of the Laws of Hong Kong) (“SFO”), or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

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	–

Notes:

- 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.
- Mr. Lu Sin was deemed to be interested in these 59,553,445 shares which comprise:-
 - 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;
 - 2,000,000 shares held through Lusin and Company Limited which was 70% controlled by Mr. Lu Sin; and
 - 10,350,000 shares held through Earngold Limited of which Mr. Lu Sin and his spouse, Ms. Chan Koon Fung, indirectly owned in aggregate 50% of the issued share capital.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interests or short positions in any shares or underlying shares of the Company or its associated corporations as defined in Part XV of the SFO at 30 September 2008.

SUBSTANTIAL SHAREHOLDERS

At 30 September 2008, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO showed that, other than the interests of certain directors disclosed under the section headed “Directors' Interests in Securities” above, the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

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 (Note 1)	36%
Lusin and Company Limited	2,000,000	47,203,445 (Note 1)	36%
Kian Nan Financial Limited	47,203,445	–	35%
Fu Nan Enterprises Company Limited	11,999,661	–	9%
Earngold Limited	10,350,000	–	8%

Notes:

- 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.
- 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 interests 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 30 September 2008.

CLOSURE OF MEMBERS REGISTER

The Register of Members of the Company will be closed from Wednesday 7 January 2009 to Friday 9 January 2009, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company’s Share Registrars, Tricor Standard Limited, 26/F., Tesbury Centre, 28 Queen’s Road East, Hong Kong, for registration not later than 4:00 p.m. on Tuesday 6 January 2009.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the period under review.

REVIEW OF RESULTS

The Group’s condensed consolidated financial statements for the six months ended 30 September 2008 (the “Financial Statements”) have not been audited but have been reviewed by Deloitte Touche Tohmatsu (“DTT”), Certified Public Accountants, the external independent auditor of the Company, whose review report is contained on page 5 of this Interim Report.

In the presence of the representatives of DTT, the Audit Committee met on 5 December 2008 and reviewed with the management the unaudited Financial Statements and expressed no disagreement with the accounting policies and standards adopted by the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions set out in Appendix 14 of the Code on Corporate Governance Practices (the “CG Code”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) throughout the six months ended 30 September 2008 except for the deviations from the following code provisions:

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 period. The Board believes that this structure enables the Group to make and implement decisions promptly and efficiently.

Code provision A.4.1 stipulates that Non-executive Directors should be appointed for a specific term.

All the Directors (including Non-executive Directors) are subject to retirement by rotation once every three years in accordance with the Company’s Articles of Association. In view of the requirement on Director’s retirement by rotation under the Articles of Association of the Company, the Directors do not consider appointment of Independent Non-executive Directors for specific terms necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors’ securities transactions. Having made specific enquiry of all Directors of the Company, the Directors have complied with the required standard set out in the Model Code during the six months ended 30 September 2008.

By Order of the Board
Lu Sin
Chairman

Hong Kong, 12 December 2008

CORPORATE INFORMATION AND KEY DATES

DIRECTORS

Executive Directors

Mr. Lu Sin (*Chairman and Managing Director*)
Mr. Lui Chi Lung
Mr. Oen Min Tjin
Mr. Lu Wing Yee, Wayne (Appointed on 12 December 2008)

Non-executive Directors

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

Independent Non-executive Directors

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

SECRETARY

Mr. Wong Leung Wai

REGISTERED OFFICE

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

WEBSITE

<http://www.safetygodown.com>

STOCK CODE

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KEY DATES

Interim Results Announcement	12 December 2008
Closure of Register of Members	7-9 January 2009 (both days inclusive)
Record Date for Interim Dividend	9 January 2009
Payment of Interim Dividend	on or about 16 January 2009

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

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

REGISTRARS AND TRANSFER OFFICE

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

**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF SAFETY GODOWN COMPANY, LIMITED**

(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 6 to 10, which comprises the condensed consolidated balance sheet of Safety Godown Company, Limited and its subsidiaries as of 30 September 2008 and the related condensed consolidated income statement, statement of changes in equity and cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong, 12 December 2008

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 September 2008

	Notes	Six months ended	
		30.9.2008 (unaudited) HK\$ '000	30.9.2007 (unaudited) HK\$ '000
Turnover	3	55,363	49,429
Income from godown operations		12,693	13,744
Income from property investment		40,552	31,695
(Losses) gains on investments			
Fair value (loss) gain on investments held for trading		(9,026)	11,672
Gain on disposals of available-for-sale investments		–	11,419
Interest income		1,372	2,844
Dividend income		746	1,146
Other income		436	1,404
(Decrease) increase in fair value of investment properties		(39,475)	28,300
Staff costs		(10,214)	(9,825)
Depreciation of property, plant and equipment		(926)	(1,504)
Release of prepaid lease payments		(113)	(219)
Other expenses		(14,054)	(5,269)
(Loss) profit before taxation	4	(18,009)	85,407
Taxation	5	8,065	(13,423)
(Loss) profit for the period attributable to shareholders		(9,944)	71,984
Dividends	6		
Paid		20,250	20,250
Proposed		5,400	13,500
(Loss) earnings per share – Basic	7	(HK7.4 cents)	HK53.3 cents

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 September 2008

	Notes	30.9.2008 (unaudited) HK\$ '000	31.3.2008 (audited) HK\$ '000
Non-current assets			
Investment properties	8	1,368,200	1,372,200
Property, plant and equipment	9	9,276	10,014
Prepaid lease payments		10,604	10,717
Available-for-sale investments		27,391	32,997
		1,415,471	1,425,928
Current assets			
Prepaid lease payments		227	227
Investments held for trading		7,086	11,056
Trade and other receivables	10	9,112	7,866
Tax recoverable		–	546
Bank balances and cash		206,411	235,936
		222,836	255,631
Current liabilities			
Other payables		32,198	31,142
Tax payable		8,408	4,247
		40,606	35,389
Net current assets		182,230	220,242
		1,597,701	1,646,170
Capital and reserves			
Share capital	11	135,000	135,000
Reserves		1,312,222	1,347,277
		1,447,222	1,482,277
Non-current liabilities			
Deferred tax liabilities		147,839	161,356
Provision for long service payments		2,640	2,537
		150,479	163,893
		1,597,701	1,646,170

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2008

	Share capital HK\$ '000	Share premium HK\$ '000	Investment revaluation reserve HK\$ '000	Property revaluation reserve HK\$ '000	Translation reserve HK\$ '000	Retained profits HK\$ '000	Total HK\$ '000
At 1 April 2007 (audited)	135,000	43,216	9,091	–	995	1,104,036	1,292,338
Revaluation increase recognised directly in equity	–	–	18,520	–	–	–	18,520
Profit for the period	–	–	–	–	–	71,984	71,984
Transfer to profit or loss upon deregistration of a foreign operation	–	–	–	–	(995)	–	(995)
Transfer to profit or loss upon disposal of available-for-sale investments	–	–	(11,419)	–	–	–	(11,419)
Total recognised income (expense) for the period	–	–	7,101	–	(995)	71,984	78,090
Dividends paid	–	–	–	–	–	(20,250)	(20,250)
At 30 September 2007 (unaudited)	135,000	43,216	16,192	–	–	1,155,770	1,350,178
Revaluation decrease	–	–	(5,542)	–	–	–	(5,542)
Revaluation surplus on transfer of owner- occupied property to investment properties	–	–	–	74,475	–	–	74,475
Deferred tax on revaluation surplus on transfer of owner-occupied property to investment properties	–	–	–	(13,033)	–	–	(13,033)
Total (expense) income recognised in equity	–	–	(5,542)	61,442	–	–	55,900
Profit for the period	–	–	–	–	–	89,699	89,699
Total recognised (expense) income for the period	–	–	(5,542)	61,442	–	89,699	145,599
Dividends paid	–	–	–	–	–	(13,500)	(13,500)
At 31 March 2008 (audited)	135,000	43,216	10,650	61,442	–	1,231,969	1,482,277
Revaluation decrease	–	–	(5,606)	–	–	–	(5,606)
Effect on change in tax rate in respect of deferred tax on revaluation surplus	–	–	–	745	–	–	745
Total (expense) income recognised in equity	–	–	(5,606)	745	–	–	(4,861)
Loss for the period	–	–	–	–	–	(9,944)	(9,944)
Total recognised expense for the period	–	–	(5,606)	745	–	(9,944)	(14,805)
Dividends paid	–	–	–	–	–	(20,250)	(20,250)
At 30 September 2008 (unaudited)	135,000	43,216	5,044	62,187	–	1,201,775	1,447,222

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 September 2008

	Six months ended	
	30.9.2008 (unaudited) HK\$ '000	30.9.2007 (unaudited) HK\$ '000
(Loss) profit before taxation	(18,009)	85,407
Adjustments for:		
Unrealised loss (gain) on investments held for trading	3,970	(3,753)
Gain on disposals of available-for-sale investments	–	(11,419)
Decrease (increase) in fair value of investment properties	39,475	(28,300)
Interest income, depreciation and others	(333)	(2,430)
Operating cash flows before movements in working capital	25,103	39,505
Decrease in investments held for trading	–	15,182
Other movement in working capital	1,285	(76)
Net cash from operating activities	26,388	54,611
Investing activities		
Purchase of investment properties	(35,475)	–
Proceeds from disposal of available-for-sale investments	–	25,650
Proceeds from disposal of property, plant and equipment	–	1,117
Purchase of property, plant and equipment	(188)	(71)
Net cash (used in) from investing activities	(35,663)	26,696
Cash used in financing activity		
Dividends paid	(20,250)	(20,250)
Net (decrease) increase in cash and cash equivalents	(29,525)	61,057
Cash and cash equivalents at beginning of the period	235,936	144,398
Cash and cash equivalents at end of the period, represented by bank balances and cash	206,411	205,455

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

for the six months ended 30 September 2008

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2008.

In the current interim period, the Group has applied, for the first time, the following amendments and new interpretations (“new HKFRSs”) issued by the HKICPA.

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

The adoption of these new HKFRSs had no material effect on the results or financial position of the Group for the current or prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The Group has not early applied the new and revised standards, amendments and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments and interpretations will have no material impact on the results and the financial position of the Group.

HKFRSs (Amendment)	Improvement to HKFRSs ⁵
HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKAS 39 (Amendment)	Eligible Hedged Items ²
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ¹
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC) – Int 13	Customer Loyalty Programmes ³
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴

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

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

³ Effective for annual periods beginning on or after 1 July 2008

⁴ Effective for annual periods beginning on or after 1 October 2008

⁵ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

3. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three operating divisions – godown operation, 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 operation	–	Operation of godowns
Property investment	–	Leasing of investment properties
Treasury investment	–	Securities trading and investment, and placing of bank deposits

Business segment information is presented below:

For the six months ended 30 September 2008

	Godown operation	Property investment	Treasury investment	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover					
External revenue	12,693	40,552	2,118	–	55,363
Inter-segment revenue	–	2,838	–	(2,838)	–
Total	<u>12,693</u>	<u>43,390</u>	<u>2,118</u>	<u>(2,838)</u>	<u>55,363</u>
Inter-segment revenue is charged based on market/concessionary rates.					
Segment result	<u>5,062</u>	<u>(4,996)</u>	<u>(15,336)</u>	<u>–</u>	<u>(15,270)</u>
Unallocated corporate expenses					(2,739)
Loss before taxation					(18,009)
Taxation					8,065
Loss for the period attributable to shareholders					<u>(9,944)</u>

For the six months ended 30 September 2007

	Godown operation <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>
Turnover					
External revenue	13,744	31,695	3,990	–	49,429
Inter-segment revenue	–	2,838	–	(2,838)	–
Total	<u>13,744</u>	<u>34,533</u>	<u>3,990</u>	<u>(2,838)</u>	<u>49,429</u>
Inter-segment revenue is charged based on market/concessionary rates.					
Segment result	<u>5,062</u>	<u>55,797</u>	<u>26,919</u>	<u>–</u>	87,778
Unallocated corporate expenses					(2,371)
Profit before taxation					85,407
Taxation					<u>(13,423)</u>
Profit for the period attributable to shareholders					<u>71,984</u>

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging/(crediting):

	Six months ended	
	30.9.2008 <i>(unaudited)</i> <i>HK\$'000</i>	30.9.2007 <i>(unaudited)</i> <i>HK\$'000</i>
Exchange loss (gain), net	8,309	(400)
Gain on disposal of property, plant and equipment	–	(314)

5. TAXATION

	Six months ended	
	30.9.2008 <i>(unaudited)</i> <i>HK\$'000</i>	30.9.2007 <i>(unaudited)</i> <i>HK\$'000</i>
The charge comprises:		
Hong Kong Profits Tax:		
Current period	4,707	3,710
The People's Republic of China Enterprise Income Tax:		
Under provision in prior year	–	1,158
	<u>4,707</u>	<u>4,868</u>
Deferred taxation		
Attributable to a change in tax rate	(8,475)	–
Current period	(4,297)	8,555
	<u>(12,772)</u>	<u>8,555</u>
	<u>(8,065)</u>	<u>13,423</u>

Hong Kong Profits Tax is recognised based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profits tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The deferred tax balance has been adjusted to reflect the tax rate that is expected to apply in the respective periods when the liability is settled.

6. DIVIDENDS

	Six months ended	
	30.9.2008 <i>(unaudited)</i> <i>HK\$'000</i>	30.9.2007 <i>(unaudited)</i> <i>HK\$'000</i>
Dividends paid:		
Final dividend paid in respect of the year ended 31 March 2008 of HK7 cents (2007: for year ended 31 March 2007 of HK7 cents) per ordinary share	9,450	9,450
Special dividend paid in respect of the year ended 31 March 2008 of HK8 cents (2007: for year ended 31 March 2007 of HK8 cents) per ordinary share	10,800	10,800
	<u>20,250</u>	<u>20,250</u>
Dividends proposed:		
Interim dividend – HK4 cents (six months ended 30.9.2007: HK7 cents) per ordinary share	5,400	9,450
Special dividend – nil (six months ended 30.9.2007: HK3 cents) per ordinary share	–	4,050
	<u>5,400</u>	<u>13,500</u>

Subsequent to the balance sheet date, the directors have proposed that an interim dividend of HK4 cents per share (six months ended 30.9.2007: an interim dividend of HK7 cents and a special dividend of HK3 cents per share) be paid to the shareholders of the Company, whose names appear in the register of members on 9 January 2009. The interim dividend will be paid on 16 January 2009.

7. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share is based on the loss for the period attributable to shareholders of HK\$9,944,000 (six months ended 30.9.2007: profit for the period HK\$71,984,000) and on 135,000,000 shares (six months ended 30.9.2007: 135,000,000 shares) in issue throughout the period.

No diluted (loss) earnings per share have been presented as there were no dilutive potential ordinary shares in issue for both periods.

8. INVESTMENT PROPERTIES

During the period, the Group incurred expenditure on addition of investment properties for HK\$35,475,000 (six months ended 30.9.2007: nil).

The Group's investment properties were revalued at 30 September 2008 by Messrs. Jones Lang LaSalle Limited and A A Property Services Limited, independent Chartered Surveyors by reference to net rental income allowing for reversionary income potential. 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 resulting decrease in fair value of investment properties of HK\$39,475,000 (six months ended 30.9.2007: increase of HK\$28,300,000) has been recognised directly in the condensed consolidated income statement for the current period.

9. PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired additional property, plant and equipment for HK\$188,000 (six months ended 30.9.2007: HK\$71,000).

10. TRADE AND OTHER RECEIVABLES

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

An aged analysis of trade receivables is as follows:

	30.9.2008 <i>(unaudited)</i> HK\$'000	31.3.2008 <i>(audited)</i> HK\$'000
Trade receivables		
Within 60 days	3,466	3,112
61 – 90 days	190	426
Over 90 days	44	71
	<hr/>	<hr/>
	3,700	3,609
Other receivables	3,643	2,680
Prepayments and deposits	1,769	1,577
	<hr/>	<hr/>
	9,112	7,866
	<hr/>	<hr/>

11. SHARE CAPITAL

	Number of Shares	Nominal value HK\$'000
Ordinary shares of HK\$1 each		
Authorised:		
At 31 March 2008 and 30 September 2008	200,000,000	200,000
	<hr/>	<hr/>
Issued and fully paid:		
At 31 March 2008 and 30 September 2008	135,000,000	135,000
	<hr/>	<hr/>

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified in order to conform with the current period presentation.