陸氏集團(越南控股)有限公司

LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366

陸氏

Annual Report

2015

Contents

Corporate Information

EXECUTIVE DIRECTORS

Cheng Cheung
(Chairman and Chief Executive Officer)
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie
(appointed on 1 December 2015)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Liang Fang
Liu Li Yuan
Chan Kam Fuk

COMPANY SECRETARY

Fan Chiu Tat, Martin, B.Soc.Sc., FCCA, HKICPA

PRINCIPAL BANKERS

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

AUDITORS

Ernst & Young
Certified Public Accountants

PRINCIPAL SHARE REGISTRAR

Condan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

5th Floor, Cheong Wah Factory Building
39-41 Sheung Heung Road
Tokwawan, Kowloon
Hong Kong

CORPORATE WEBSITE

www.luks.com.hk

IMPORTANT CHANGES TO THE GROUP'S MANAGEMENT AND BOARD OF DIRECTORS

Mr. Luk King Tin, the Group's founder and former Chairman and Chief Executive Officer, passed away peacefully on 29 August 2015. Mr. Luk had founded the Group in 1975. Being the leader in formulating the Group's development strategies, Mr. Luk also led the group to become a listing company in Hong Kong. Thereafter, Mr. Luk led the Group into diversification and laid important foundations for a stable development of the Group's businesses in the coming future. The management and staff will always remember and thank Mr. Luk for his enormous contributions to the Group.

With effect from 29 August 2015, I was appointed Chairman and Chief Executive Officer of the Company. Moreover, on 1 December 2015, Ms. Luk Sze Wan, Monsie was appointed Executive Director of the Company. The board of directors will uphold strategies and directions formulated by Mr. Luk King Tin and continue to lead the Group in a stable pace of development.

BUSINESS REVIEW AND PROSPECTS

As the United States began interest rates hiking cycle, global economic situations became fluctuated and seemingly headed to a downward trend. While both European and Japanese economies were struggling from contraction, foreign capital kept flowing out of developing countries. Coupled with a devaluation of the Chinese RMB, the Southeast Asian economies suffered a hard hit during 2015. Fortunately, the Group's major investments were located in Vietnam, where its economy was still able to maintain steady growth during the year. Being second only to India, Vietnam became one of the best performing Asian economies in 2015.

In 2015, Vietnam recorded a GDP growth rate of 6.7%, with its manufacturing and domestic consumption sectors recording remarkable growth rates of 9% and 8.4% respectively. Newly registered foreign investments recorded an increase of 12.5% in 2015, reaching a total of US$22.8 billion. The inflation rate was at a very low level with the consumer price index recording an increase of merely 0.63% for December 2015. However, decline in export of agricultural products and raw materials, together with a surge in import in 2015, resulted in a trade deficit of US$3.2 billion for the year, turning from a surplus recorded in 2014. As at 31 December 2015, the exchange rate was HK$1 to 2,902 Vietnamese Dong ("VND"), a year-on-year depreciation of about 4.9%, though the extent of depreciation was among the least in the Southeast Asian countries.

On 1 July 2015, Vietnamese government promulgated a series of new legislations, including Laws on Investment and Enterprises, Laws on Housing and Laws on Real Estate Business. The new legislations have not only improved the legal system of Vietnam, but also offer a better protection to foreign investors investing in Vietnam. It thus has enhanced the confidence and interests of foreign investors investing in Vietnam. In addition, Vietnam entered into various free trade agreements with the European Union, South Korea and Eurasian Economic Union respectively during 2015. Vietnam has also officially become a member of the Trans-Pacific Partnership Agreement (TPP) and the ASEAN Economic Community (AEC), which has significantly increased its foreign trade opportunities and also strengthened the attractiveness of Vietnam to foreign investors.

BUSINESS REVIEW AND PROSPECTS (continued)

Looking to 2016, Vietnam's economy is expected to sustain its growth in a steady pace. But the global financial turmoil and economic downturn, coupled with the trend of RMB devaluation, are having negative impact and posing uncertainties to the recovering economy of Vietnam.

In 2015, the Group's principal businesses located in Vietnam, namely cement business and office leasing business remained stable, with a slight growth being noted. However, due to the depreciation of VND to HK$ during the year, the Group's revenue and profits recorded a slight setback after converted into HK$.

For the year ended 31 December 2015, the Group recorded a turnover of HK$610,327,000, representing a decrease of 2.1% as compared to HK$623,184,000 of last year. The Group's principal revenue comes from the cement business and property investment. Of which, turnover from the cement business was HK$490,619,000 representing a year-on-year decrease of 2.2%, whereas turnover from the property investment was HK$110,080,000, representing a decrease of 1.5% as compared to 2014.

The consolidated net profit attributable to shareholders was HK$89,580,000 for the year, representing a decrease of approximately 3.2% when compared to HK$92,526,000 of 2014. Earnings per share for 2015 were HK17.7 cents (2014: HK18.3 cents).

CEMENT BUSINESS

In 2015, the national cement production and sales of Vietnam were about 72 million tons, an increase of about 1.4% compared with last year. Domestic cement consumption increased approximately 10.8% to 56.5 million tons compared with last year, attributed to the continuous economic recovery. However, due to the economic slowdown of other Southeast Asian countries, demand for export fell, so that the total quantity of cement export in 2015 was only 16.3 million tons, down 18.5% over last year. Consequently, some of the export-oriented cement producers also turned into the domestic market and thus intensified domestic competition in the cement market.

The Group's cement plant recorded total sales quantity of 1,198,000 tons of cement in the year 2015, a slight increase of about 0.7% over last year. Total sales amount was HK$490,619,000, a decrease of 2.2% compared with a year earlier, primarily due to the depreciation of VND. The cement business contributed a profit after tax of HK$53,235,000, a year on year increase of 7.6%.

Production costs remained broadly stable during the year. As the Vietnamese government implemented strict control on trucks carrying capacity on roads, the quantity of cement that could be carried per truck has been reduced significantly, and thus resulting in an increase in transportation cost of the cement plant. Besides, since there were new cement plants entering into the market in central Vietnam and intensified the region's competition, the Group's cement plant was required to put in additional resources into sales and promotions during the year, resulted in a higher selling expenses compared with last year.

Looking to 2016, Vietnam's economy has been recovering steadily, with the real estate market becoming active. Constructions and infrastructure activities are notably increasing. The domestic market demand for cement continues to rise, which gives a strong support to the Group's cement sales. On the other hand, economies of the Southeast Asian countries remained weak, resulted in a decline in Vietnam's cement export and intensifying local competition. Moreover, the unstable global economic situation also added to uncertainties to the cement market of Vietnam in 2016.

SAIGON TRADE CENTRE

In 2015, Vietnam attracted newly registered foreign direct investments totaling to US$22.8 billion, an increase of 12.5% compared with last year. Ho Chi Minh City was still the first choice of localities for foreign investors, and absorbed the biggest portion of foreign capital. As a result, it has also driven up the demand for office spaces in Ho Chi Minh City. During 2015, demand for offices at all levels rose generally, whereas occupancy rate and average rental rate also recorded a slight increase.

As at 31 December 2015, the occupancy rate of the Group's Saigon Trade Centre was 73%, rose by 2% in comparing to the rate of 71% by the end of 2014. The average rental rate compared with 2014 also recorded a slight increase of about 2.8%.

Looking to 2016, with Vietnamese economy in recovery, foreign investors are keener on investing in Vietnam. More and more foreign companies are expected to set up offices in Ho Chi Minh City, driving up demand for office spaces. Whereas new supply of high-quality office spaces is limited in the market during 2016, both occupancy rate and average rent are expected to increase driven by an increase in demand.

HOTEL PROJECT IN HONG KONG AND OTHER INVESTMENT PROPERTIES

Construction of the Group's hotel project located in Tuen Mun is expected to be completed in the third quarter of this year. The hotel is expected to be officially opened in the first quarter of 2017 once the hotel operating license is obtained. The arcade of the hotel shall be available before the end of this year and is currently under the leasing stage. Although the occupancy rate of hotel rooms in Hong Kong today is generally sluggish, supply of hotels in northwest New Territories is very limited. Moreover, the Group's hotel is favorably located next to the Tuen Mun West Rail Station and a Light Rail station. In addition, when Hong Kong Zhuhai Macau Bridge and Tuen Mun-Chek Lap Kok Link Road are completed in coming years, Tuen Mun will become a major transportation hub connecting to northwest New Territories and the mainland China, with only about 15 minutes riding distance from the HK airport. The management is confident that the hotel, when it is fully operational, will bring stable income and cash flow to the Group.

As the hotel project will be completed within 2016, the funding need is huge for the year. The Group will finance part of the construction cost with a bank's loan. In addition, the Board also recommended reducing the final dividend for this year so as to fulfill part of the funding need of the hotel project. When the hotel is completed, the Board expects the dividend level will be increased.

In 2015, the Group recorded a fair value gain on investment properties of approximately HK$12,117,000, whereas a fair value gain of HK$26,423,000 was recorded in 2014. A lesser revaluation gain in 2015 was the main attributable cause to a decline in contributed profit from investment properties for the year 2015.

Chairman's Statement

PROPERTY DEVELOPMENT

Following a well-performed Vietnam's economy in 2015, people's income has been seen increasing. With a rising number of middle-class populations and the new legislation permitting foreigners to buy properties in Vietnam, demand in the Vietnam's housing market surged in 2015. Housing prices also recorded an increase during the year. Yet on the other hand, supply of housing especially apartments is abundant, the market will need a period of time in order to digest all the supply and stocks. It is expected that the momentum in the housing market will continue in 2016. The Group is keeping an eye on the development of the housing market in Ho Chi Minh City, yet its project in Binh Thanh District will not be kick started shortly in the next year or two.

DIVIDEND

Considering the funding need of the hotel project in 2016, the Board recommended to distribute a final dividend of HK6 cents per share to the shareholders and together with the interim dividend of HK6 cents per share already distributed, the total dividend for the full year of 2015 will be HK12 cents per share.

APPRECIATION

I would like to take this opportunity to extend my gratitude to my fellow directors, management and staff members for their contributions to the Group and to our shareholders for their support, confidence and recognition to the Group strategies and direction.

Cheng Cheung
Chairman

24 March 2016

Management Discussion and Analysis

FINANCIAL REVIEW

The Group's cash, bank balances and time deposits as at 31 December 2015 amounted to HK$294,377,000 (31 December 2014: HK$380,028,000). The Group's total borrowings amounted to HK$26,275,000 (31 December 2014: HK$77,419,000), of which HK$24,948,000 (31 December 2014: HK$77,419,000) was repayable within 1 year.

All of the Group's borrowings were denominated in HK$. Of the total borrowings, about 6.3% were at fixed interest rate.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0% as at 31 December 2015 (31 December 2014: 0%).

Significant investments held

As at 31 December 2015, the Group has no significant investment held.

Employees and Remuneration Policy

As at 31 December 2015, the Group had approximately 1,070 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$44,806,000 for the year ended 31 December 2015 (31 December 2014: HK$45,007,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Details of charges

As at 31 December 2015, the Group pledged certain construction in progress situated in Hong Kong at a net carrying value of HK$505,292,000.

Exposure to fluctuations in exchange rates and related hedges

The Group has exposed to the risk of exchange rate's fluctuation in Vietnamese Dong ("VND") for its investments in Vietnam, especially the income and foreign currency loans of the cement plant, as well as the income of Saigon Trade Center. The exchange rate of VND to HKD was comparatively volatile throughout the year, with a depreciation of 4.9% as at 31 December 2015 when compared to the rate as at 31 December 2014. The Group suffered an exchange loss in VND depreciation of HK$6,331,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited or the hedging is not cost efficient to do so. The high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation.

Details of contingent liability

As at 31 December 2015, the Group has no significant contingent liability (31 December 2014: Nil).

Management Discussion and Analysis

ENVIRONMENT PROTECTION

The Group recognises the importance of adhering to environmental laws and regulations and adopting of proper environmental policies are essential to the sustainability of the corporate growth. The Group's cement operation in Vietnam has been strictly following the environmental laws and regulations in Vietnam. The Group's cement plant in Hue, Vietnam has specifically set up an ISO department, with purposes of formulating the Group's environmental policies and ensuring the cement operation is in all time complying to the policies. The ISO department will also keep an eye on the latest development of the environmental laws and regulations in Vietnam and to make sure the cement plant is in compliance with the relevant laws and regulations from time to time.

Besides, the cement plant has appointed an independent institution to inspect and monitor both air and water quality of the surrounding environment of the cement plant and the limestone mine. The independent institution will submit reports to the cement plant on a quarterly basis.

The cement plant has obtained ISO9001 quality management system, ISO14001 environmental management system and OHSAS18001 safety management system. The cement plant has closely followed the standards and guidelines of the above management systems on its day to day operations.

IN COMPLIANCE WITH LAWS AND REGULATIONS

The Group has its main operations in Vietnam, Hong Kong and China. As at 31 December 2015 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations in any jurisdiction that had a significant impact on the Group.

RELATIONSHIPS WITH KEY STAKEHOLDERS

(i) Employees

The Group recognises human resources are an asset and are important to the Group's development and growth. Most of the Group's employees are from the cement plant in Vietnam. Being one of the biggest foreign enterprises in Hue, Vietnam, the cement plant has been focusing in upholding its social responsibility. In particular, the cement plant has strictly followed requirements of the respective Vietnam's labour laws and regulations and ensured that the employees' salaries and benefits are being properly taken care of. The Group provides on-the-job training and development opportunities to the employees. Besides, the Group will also grant extra bonus to the employees according to their performance as a recognition and award for their contributions to the cement plant.

(ii) Suppliers

The Group's suppliers are mainly for the cement plant in Vietnam. The Group has developed long-standing and good relationships with the suppliers. The purchasing department of the cement plant conducts regular meetings with the suppliers of raw materials to ensure that raw materials supplied are in stable and good quality.

(iii) Customers

The Group has established long-term cooperation relationships with major customers. The sales team of the cement plant will visit and discuss with customers regularly so as to keep abreast of the market information and changes. The Group's Saigon Trade Centre has built good relationships with the tenants and its sales team will discuss with tenants from time to time so as to understand the tenants' needs and dissatisfactions, if any, so as to accommodate their needs promptly.

Corporate Governance Practices

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system. The Company adopted the Code on Corporate Governance as stated in Appendix 14 of the Listing Rules.

Throughout the financial year ended 31 December 2015, the Company has complied with the code provisions set out in the Code the except for code provisions of A.4.1, A.4.2 and A.6.7.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. Cheng Cheung (appointed on 29 August 2015). During the period between 1 January 2015 to 29 August 2015, the roles of Chairman and Chief Executive Officer of the Company were performed by Mr. Luk King Tin (passed away on 29 August 2015).

According to the Company's Bye-laws, the Chairman of the Board and the Chief Executive Officer of the Company were not subject to retirement by rotation, which thus constitutes a deviation from the code provision A.4.2. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that the deviation is acceptable.

In respect of code provision A.6.7, except Mr. Chan Kam Fuk, the other two Independent Non-Executive Directors did not attend the annual general meeting of the Company held on 30 April 2015 due to their other business commitments.

THE BOARD

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, regulating internal controls and financial management, and supervising the management's performance while the day-to-day operations and management are delegated by the Board to the senior management of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company's corporate governance guidelines.

The Board currently comprises 8 directors, namely Mdm. Cheng Cheung (the Chairman), Mr. Luk Yan, Mr. Luk Fung, Mr. Fan Chiu Tat, Martin and Ms. Luk Sze Wan, Monsie (appointed on 1 December 2015) as Executive Directors, Mr. Liang Fang, Mr. Liu Li Yuan and Mr. Chan Kam Fuk as Independent Non-Executive Directors. From 1 January 2015 to 29 August 2015, the Chairman was performed by Mr. Luk King Tin (passed away on 29 August 2015).Their biographical details are presented on pages 20 to 21 of this annual report. The Company and all of its Executive Directors have not entered into any service contract with a specified length of service. All Independent Non-Executive Directors have a specific service contract for one year and are subject to annual renewal. All directors, except the Chairman, are subject to retirement by rotation and re-election at annual general meetings of the Company at least every three years.

The Company has received a confirmation of independence from each of the Independent Non-Executive Directors, namely Mr. Liang Fang, Mr. Liu Li Yuan and Mr. Chan Kam Fuk and considers them to be independent.

THE BOARD (continued)

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board's meetings. A Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

The Board convened fifteen meetings during the financial year ended 31 December 2015. Mr. Luk King Tin (passed away on 29 August 2015) attended four board meetings. Mdm. Cheng Cheung, Mr. Luk Yan, Mr. Luk Fung and Mr. Fan Chiu Tat, Martin attended all board meetings, Ms. Luk Sze Wan, Monsie (appointed on 1 December 2015) attended two board meetings, while Mr. Liang Fang, Mr. Liu Li Yuan and Mr. Chan Kam Fuk attended two board meetings.

Appointment, re-election and removal of Directors

The Board is responsible for the appointment and removal of Directors.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not greater than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting.

According to the Company's Bye-laws, any director in his first year of appointment is subject to re-election by shareholders at the forthcoming annual general meeting.

All Independent Non-Executive Directors are appointed for a specific term of one year and are subject to renewal annually.

Corporate Governance Practices

THE BOARD (continued)

Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organised by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2015, by:–

(A) reading newspapers, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

(B) attending seminars and/or conference and/or forum

Mr. Luk King Tin (passed away on 29 August 2015), Mdm. Cheng Cheung, Mr. Luk Yan, Ms. Luk Sze Wan, Monsie (appointed on 1 December 2015), Mr. Liang Fang, Mr. Liu Li Yuan and Mr. Chan Kam Fuk have attained (A) above, whereas Mr. Luk Fung and Mr. Fan Chiu Tat, Martin have attained both (A) and (B) above.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

Chairman and Chief Executive Officer

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, both the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. Cheng Cheung. From 1 January 2015 to 29 August 2015, both the roles of Chairman and Chief Executive Officer of the Company were performed by Mr. Luk King Tin (passed away on 29 August 2015).

Chairman and Chief Executive Officer (continued)

Mdm. Cheng Cheung is one of the founders of the Company, has inherited Mr. Luk King Tin, the former Chairman and Chief Executive Officer of the Company, as the Chairman and the Chief Executive Officer of the Company and in charge of the overall management of the Company. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.

BOARD COMMITTEES

The Board currently has three principal board committees, which are the Audit Committee, the Remuneration Committee and the Nomination Committee.

Audit Committee

The Company has set up an Audit Committee, comprised solely of all three Independent Non-Executive Directors, namely Mr. Liang Fang, Mr. Liu Li Yuan, and Mr. Chan Kam Fuk. Mr. Liang Fang is the Chairman of the Audit Committee. All members of the Audit Committee have many years of finance and business management experience and expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

In 2015, the Audit Committee met twice and all members attended both meetings. During the year, the Audit Committee performed the works as summarised below:

(i) reviewed and recommended 2014 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) considered the audit fee for the year 2015;

(iv) reviewed and recommended 2015 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed and considered the terms of reference of the Audit Committee; and

(vi) reviewed and recommended the Report on Internal Control for the Board's approval.

BOARD COMMITTEES (continued)

Remuneration Committee

The Company has set up a Remuneration Committee, comprised of Mr. Liang Fang and Mr. Liu Li Yuan being Independent Non-Executive Directors of the Company. Mr. Liu Li Yuan is the chairman of the Remuneration Committee.

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all Executive Directors and senior management, making recommendations to the Board on the remuneration of Independent Non-Executive Directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

In 2015, the Remuneration Committee met twice. All members attended both meetings. During the year, the Remuneration Committee performed the works as summarised below:

(i) reviewed the existing policy and structure for the remuneration of Directors;

(ii) reviewed and recommended revision of the existing remuneration packages of the Executive Directors;

(iii) reviewed the existing remuneration of the Independent Non-Executive Directors;

(iv) reviewed and recommended remuneration package of Ms. Luk Sze Wan, Monsie, who was appointed as an Executive Director of the Company on 1 December 2015; and

(v) reviewed remuneration and the renewal of the terms of appointment of the Independent Non-Executive Directors for one year commencing from 1 January 2015 for the Board's approval.

At present, remunerations of the senior management of the Company mainly consist of fixed monthly salary. Certain senior management is also awarded with a performance-linked annual bonus, which is tied to the attainment of key performance indicators' targets. The remuneration of Independent Non-Executive Directors is determined with reference to the prevailing market conditions and workload of being Independent Non-Executive Directors and members of the Board Committees of the Company.

Nomination Committee

The Company has set up a Nomination Committee, comprised of Mr. Liang Fang and Mr. Liu Li Yuan being Independent Non-Executive Directors of the Company and Mdm. Cheng Cheung (appointed on 29 August 2015), the Chairman of the Company. Mdm. Cheng Cheung is the chairman of the Nomination Committee. From 1 January 2015 to 29 August 2015, the chairman of the Nomination Committee was performed by Mr. Luk King Tin (passed away on 29 August 2015).

BOARD COMMITTEES (continued)

Nomination Committee (continued)

The primary responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of Independent Non-Executive Directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and, reviewing the Committee's terms of reference and its own effectiveness and recommending to the Board from time to time any necessary changes.

In 2015, the Nomination Committee met three times. Mr. Luk King Tin (passed away on 29 August 2015) attended one meeting, Mdm. Cheng Cheung (appointed on 29 August 2015) attended two meetings while Mr. Liu Li Yuan and Mr. Liang Fang attended all meetings. During the year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy. Besides, the Nomination Committee has nominated Mdm. Cheng Cheung as the Chairman and the Chief Executive Officer of the Company, as well as nominated Ms. Luk Sze Wan, Monsie as an Executive Director of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2015. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the "black out period" as specified in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorises their publication as and when required.

AUDITORS' REMUNERATION

Messrs. Ernst & Young has been re-appointed as the Company's auditor at the annual general meeting of 2015 until the conclusion of the next annual general meeting.

For the year ended 31 December 2015, amounts of HK$1,979,000 and HK$69,300 were paid to Ernst & Young for their statutory audit service and tax service respectively.

The statement of the Company's auditor, Messrs. Ernst & Young, regarding their reporting responsibilities is set out in the Independent Auditors' Report on page 25 and 26.

INTERNAL CONTROL

The Board recognises its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorised use, and maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2015, based on the evaluations made by management, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting. Any vote of Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and SEHK on the day of the general meeting. The memorandum of association of the Company and Bye-laws are available on the websites of the Company and SEHK. Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. The Company's auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditors' report.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the SEHK. Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, investors' meetings and general meetings that may be convened, as well as making available all the disclosures submitted to SEHK to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2015 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 27 to 99.

An interim dividend of HK 6 cents per ordinary share was paid on 14 October 2015. The directors recommend the payment of a final dividend of HK6 cents per ordinary share in respect of the year to shareholders on the register of members on 30 May 2016.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 102. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 100.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in notes 31 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 39 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$104,167,000 of which approximately HK$30,318,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$738,496,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 48% of the total sales for the year and sales to the largest customer included therein amounted to approximately 19%. Purchases from the Group's five largest suppliers accounted for approximately 70% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 22%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive Directors:

Luk King Tin *(Chairman and CEO, passed away on 29 August 2015)*
Cheng Cheung *(appointed as Chairman and CEO on 29 August 2015)*
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie *(appointed on 1 December 2015)*

Independent Non-Executive Directors:

Liang Fang
Liu Li Yuan
Chan Kam Fuk

Report of the Directors

DIRECTORS (continued)

The Company has received annual confirmations of independence from Messrs. Liang Fang, Liu Li Yuan and Chan Kam Fuk and as at the date of this report still considers them to be independent.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Madam Cheng Cheung, aged 75, was appointed as the Chairman and Chief Executive Officer of the Company, and a member of the Company's remuneration committee and nomination committee on 29 August 2015. Madam Cheng Cheung is a founder of the Group and has been with the Group for over 38 years. She is mainly responsible for the overall strategic planning of the Group. She also holds directorship in various subsidiaries of the Group. Madam Cheng is the mother of Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all executive directors of the Company.

Mr. Luk Yan, aged 51, is an Executive Director of the Company. He is now responsible for the Group's property investment and management in Vietnam. He has been with the Group for 26 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung and an elder brother of Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Fan Chiu Tat, Martin, aged 49, is an Executive Director and the company secretary of the Company. He graduated from The University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan is also the financial controller of the Company. He has been with the Group for 26 years. He also holds directorship in various subsidiaries of the Group.

Mr. Luk Fung, aged 47, is an Executive Director of the Company. He is a holder of a MBA degree from The Chinese University of Hong Kong. He had years of working experience in the financial services industry prior to joining the Group. He is responsible for the development of the cement business of the Group. He has been with the Group for 16 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung and a younger brother of Mr. Luk Yan and an elder brother of Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Ms. Luk Sze Wan, Monsie, aged 39, was appointed as an Executive Director of the Company on 1 December 2015. Ms. Luk holds a Bachelor of Arts Degree from The University of Hong Kong. Ms. Luk has been working for the Group for over 9 years. She has been holding the position of the Investor Relations Director, being responsible for investor relations of the Group. Ms. Luk is also in charge of the hotel development project of the Group. She also holds directorship in various subsidiaries of the Group. Ms. Luk is the daughter of Madam Cheng Cheung and the sister of Mr. Luk Yan and Mr. Luk Fung, who are all Executive Directors of the Company.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

(continued)

Mr. Liang Fang, aged 63, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liang is a holder of a MBA degree from the Massachusetts Institute of Technology of the United States of America. He has been working in the IT business for a number of years. Mr. Liang is currently the General Manager of Joint Technology Development Limited.

Mr. Liu Li Yuan, aged 64, is an independent non-executive director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu is a graduate with a Diploma from the Faculty of Law of The University of Beijing. He is currently a director of a property investment and management company in Mainland China.

Mr. Chan Kam Fuk, aged 50, is an Independent Non-Executive Director and a member of the Audit Committee of the Company. He holds a Master's degree of Professional Accounting from the University of Southern Queensland, Australia. He is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Chan has years of experience in auditing, taxation, finance and accounting fields. He is currently the sole proprietor of Dominic K.F. Chan & Co., a CPA firm in Hong Kong. He is also an Independent Non-Executive Director of Haitian Hydropower International Limited, a listed company on GEM of the Hong Kong Stock Exchange.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained Directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings. The Directors' remuneration is determined by the Remuneration Committee of the Company. Please refer to page 14 of this Annual Report for details.

DIRECTORS' INTERESTS IN CONTRACTS

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Report of the Directors

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2015, none of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest					
Name of director	**Notes**	**Directly Beneficially owned**	**Family interest held by spouse**	**Through controlled corporation**	**Through Trustee of a Trust**	**Total**	**Percentage of the Company's issued share capital**
Cheng Cheung	(a)	20,784,800	–	36,912,027	–	57,696,827	11.42
Luk Yan	(b)	3,070,800	174,000	–	272,767,224	276,012,024	54.62
Luk Fung	(b)	3,229,600	–	–	272,767,224	275,996,824	54.62
Luk Sze Wan, Monsie	(b)	1,300,000	–	–	272,767,224	274,067,224	54.24
Fan Chiu Tat, Martin		1,500,000	–	–	–	1,500,000	0.30

Long positions in shares of an associated corporation:

Name of director	Note	Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Luk Fung	(c)	Vigconic International (Holdings) Limited ("VI")	Company's subsidiary	2,462,402	Through controlled corporation	25

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

(continued)

Notes:

(a) Madam Cheng Cheung had a beneficial interest in CC (Holdings) Limited, which held 36,912,027 shares of the Company at the end of the reporting period.

(b) The interests disclosed by Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie under the heading "Through Trustee of a Trust" in the above table refer to the same shares held by Luks Family (PTC) Limited, as trustee of the Luks Family Trust. Each of Mr. Luk Yan, Mr. Luk Ngai, Mr. Luk Fung and Mrs. Luk Sze Wan, Monsie was the beneficiary of Luks Family Trust. The shareholdings of Mr. Luk Ngai and Luks Family (PTC) Limited were disclosed in the below section referring to Substantial Shareholders' interests in shares.

(c) Mr. Luk Fung had a beneficial interest in Vigconic Biotechnology Company Limited, which held 2,462,402 shares of US$1 each of VI at the end of the reporting period.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2015, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 December 2015, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.31
Luks Family (PTC) Limited	Directly beneficially owned	272,767,224	53.98
Luk Ngai *(Note)*	Directly beneficially owned and through Trustee of a Trust	276,157,224	54.65

Note: Mr. Luk Ngai's interests included a personal interest of 3,390,000 shares of the Company and as one of the beneficiaries together with Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie of the 272,767,224 shares of the Company held by Luks Family (PTC) Limited (being trustee of the Luks Family Trust).

Save as disclosed above, as at 31 December 2015, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at InterContinental Grand Stanford Hong Kong Hotel, Monet Room, B1 Level, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:00 p.m. on Friday, 20 May 2016.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

AUDITORS

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Cheung
Chairman
Hong Kong
24 March 2016

Independent Auditors' Report

To the shareholders of Luks Group (Vietnam Holdings) Company Limited
(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries set out on pages 27 to 99, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, 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 Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgement, 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 auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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.

Independent Auditors' Report

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at 31 December 2015, and of their financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

24 March 2016

Consolidated Statement of Profit or Loss

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	5	**610,327**	623,184
Cost of sales		**(388,113)**	(392,463)
Gross profit		**222,214**	230,721
Other income and gains	5	**15,590**	11,673
Fair value gains on investment properties, net	14	**12,117**	26,423
Selling and distribution expenses		**(49,919)**	(36,254)
Administrative expenses		**(68,066)**	(82,744)
Other expenses		**(7,935)**	(28,906)
Finance costs	7	**(1,762)**	(2,350)
Share of profits and losses of associates		**–**	388
PROFIT BEFORE TAX	6	**122,239**	118,951
Income tax expense	10	**(33,708)**	(29,504)
PROFIT FOR THE YEAR		**88,531**	89,447
Attributable to:			
Owners of the parent		**89,580**	92,526
Non-controlling interests		**(1,049)**	(3,079)
		88,531	89,447
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK17.7 cents**	HK18.3 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
PROFIT FOR THE YEAR		**88,531**	89,447
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(67,506)**	(15,434)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	13	**–**	9,936
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(67,506)**	(5,498)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,025**	83,949
Attributable to:			
Owners of the parent		**22,115**	81,631
Non-controlling interests		**(1,090)**	2,318
		21,025	83,949

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,168,608**	1,162,533
Investment properties	14	**953,847**	982,038
Prepaid land lease payments	15	**2,894**	5,552
Investment in a joint venture	16	**–**	–
Investments in associates	17	**–**	760
Properties for development	18	**32,409**	33,847
Deposits	21	**33,819**	34,673
Total non-current assets		**2,191,577**	2,219,403
CURRENT ASSETS			
Inventories	19	**71,138**	77,182
Trade receivables	20	**33,267**	39,733
Prepayments, deposits and other receivables	21	**15,162**	21,504
Cash and cash equivalents	22	**294,377**	380,028
		413,944	518,447
Investment properties classified as held for sale	14	**–**	11,005
Total current assets		**413,944**	529,452
CURRENT LIABILITIES			
Trade payables	23	**8,982**	22,455
Other payables and accruals	24	**109,726**	111,088
Due to directors	25	**46**	55
Due to a related company	26	**4,381**	4,383
Interest-bearing bank and other borrowings	27	**24,948**	77,419
Tax payable		**33,603**	34,265
Total current liabilities		**181,686**	249,665
NET CURRENT ASSETS		**232,258**	279,787
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,423,835**	2,499,190

Consolidated Statement of Financial Position

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,423,835**	2,499,190
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**1,327**	–
Rental deposits		**17,519**	19,518
Provisions	29	**4,661**	5,193
Deferred tax liabilities	30	**203,852**	208,075
Total non-current liabilities		**227,359**	232,786
Net assets		**2,196,476**	2,266,404
EQUITY			
Equity attributable to owners of the parent			
Issued capital	31	**5,053**	5,053
Reserves	32	**2,223,088**	2,291,926
		2,228,141	2,296,979
Non-controlling interests		**(31,665)**	(30,575)
Total equity		**2,196,476**	2,266,404

Cheng Cheung
Director

Luk Sze Wan, Monsie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2015

	Note	Attributable to owners of the parent								Non-controlling interests	Total equity
		Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Property revaluation reserve	Exchange fluctuation reserve	Retained profits	Total		
		HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
		(note 31)		(note 32(b))	(note 32(c))						
At 1 January 2014		5,053	738,496	412,497	703	10,547	(373,410)	1,487,149	2,281,035	(32,893)	2,248,142
Profit/(loss) for the year		–	–	–	–	–	–	92,526	92,526	(3,079)	89,447
Other comprehensive income/(loss) for the year:											
Gain on property revaluation		–	–	–	–	9,936	–	–	9,936	–	9,936
Exchange differences on translation of foreign operations		–	–	–	–	–	(20,831)	–	(20,831)	5,397	(15,434)
Total comprehensive income/(loss) for the year		–	–	–	–	9,936	(20,831)	92,526	81,631	2,318	83,949
Final 2013 dividend		–	–	(35,369)	–	–	–	–	(35,369)	–	(35,369)
Interim 2014 dividend	11	–	–	(30,318)	–	–	–	–	(30,318)	–	(30,318)
At 31 December 2014		5,053	738,496*	346,810*	703*	20,483*	(394,241)*	1,579,675*	2,296,979	(30,575)	2,266,404
At 1 January 2015		**5,053**	**738,496**	**346,810**	**703**	**20,483**	**(394,241)**	**1,579,675**	**2,296,979**	**(30,575)**	**2,266,404**
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**89,580**	**89,580**	**(1,049)**	**88,531**
Other comprehensive loss for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(67,465)**	**–**	**(67,465)**	**(41)**	**(67,506)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**(67,465)**	**89,580**	**22,115**	**(1,090)**	**21,025**
Final 2014 dividend		**–**	**–**	**(60,635)**	**–**	**–**	**–**	**–**	**(60,635)**	**–**	**(60,635)**
Interim 2015 dividend	11	**–**	**–**	**(30,318)**	**–**	**–**	**–**	**–**	**(30,318)**	**–**	**(30,318)**
At 31 December 2015		**5,053**	**738,496***	**255,857***	**703***	**20,483***	**(461,706)***	**1,669,255***	**2,228,141**	**(31,665)**	**2,196,476**

* These reserve accounts comprise the consolidated reserves of HK$2,223,088,000 (2014: HK$2,291,926,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**122,239**	118,951
Adjustments for:			
Finance costs	7	**1,762**	2,350
Share of profits and losses of associates		**–**	(388)
Interest income	5	**(8,486)**	(10,682)
Fair value gains on investment properties, net	14	**(12,117)**	(26,423)
Loss on deregistration of an associate	6	**112**	–
Loss on disposal of items of property, plant and equipment	6	**–**	1,855
Loss on disposal of investment properties	6	**801**	6,760
Depreciation	6	**46,377**	52,666
Amortisation of prepaid land lease payments	6	**2,450**	2,532
Impairment/(reversal of impairment) of trade receivables, net	6	**(464)**	264
Write-off of inventories	6	**–**	12,548
		152,674	160,433
Decrease/(increase) in inventories		**2,233**	(6,896)
Decrease/(increase) in trade receivables		**5,077**	(2,280)
Decrease/(increase) in prepayments, deposits and other receivables		**9,566**	(4,438)
Decrease in trade payables		**(12,410)**	(3,312)
Decrease in other payables and accruals		**(426)**	(2,467)
Decrease in provisions		**(472)**	(14)
Decrease in an amount due to a related company		**(2)**	(205)
Decrease in rental deposits		**(1,050)**	(404)
Cash generated from operations		**155,190**	140,417
Interest paid		**(2,188)**	(1,948)
Taxes paid		**(27,898)**	(36,403)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**125,104**	102,066

	Note	2015 HK$'000	2014 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**125,104**	102,066
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**8,486**	10,682
Increase in time deposits with original maturity of over three months when acquired		**(93,664)**	(724)
Purchases of items of property, plant and equipment		**(86,747)**	(25,509)
Acquisition of a subsidiary		**–**	88
Repayment from associates		**–**	354
Proceed from disposal of debt investments		**–**	1,094
Proceed from disposal of investment properties		**10,204**	80,462
Proceed from disposal of items of property, plant and equipment		**–**	3,645
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(161,721)**	70,092
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**52,967**	35,615
Repayment of bank loans		**(104,545)**	(88,826)
Capital element of finance lease rental payments		**1,666**	–
Increase/(decrease) in amounts due to directors		**(9)**	10
Dividends paid		**(90,953)**	(65,687)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(140,874)**	(118,888)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(177,491)**	53,270
Cash and cash equivalents at beginning of year		**379,304**	328,847
Effect of foreign exchange rate changes, net		**(1,824)**	(2,813)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**199,989**	379,304
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**79,516**	79,121
Non-pledged time deposits with original maturity of less than three months when acquired		**120,473**	300,183
Non-pledged time deposits with original maturity of over three months when acquired		**94,388**	724
Cash and cash equivalents as stated in the statement of financial position	22	**294,377**	380,028
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(94,388)**	(724)
Cash and cash equivalents as stated in the statement of cash flows		**199,989**	379,304

1. CORPORATE AND GROUP INFORMATION

Luks Group (Vietnam Holdings) Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal office of the Company is located at 5/F, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- manufacture and sale of cement
- property investment
- property development
- sale of electronic products

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$2	100	–	Investment holding
Luks Industrial Company Limited	Hong Kong	HK$168,048,482	–	100	Property investment and investment holding
Luks Industrial (Bao An) Company Limited*	Mainland China	HK$39,000,000	–	100	Property investment
Luks Vietnam Company Limited	British Virgin Islands/ Hong Kong	US$3	100	–	Investment holding
Luks Timber (Vietnam) Limited	Vietnam	VND15,715,698,000	–	100	Manufacture and sale of plywood

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Cement Company Limited	British Virgin Islands/ Hong Kong	US$50,000	–	100	Investment holding
Luks Cement (Vietnam) Limited	Vietnam	VND751,329,773,000	–	100	Manufacture and sale of cement
Luks Land Company Limited	British Virgin Islands/ Hong Kong	US$100	–	100	Investment holding
Luks Land (Vietnam) Limited	Vietnam	VND193,639,051,000	–	100	Property investment and management
Prime Wise Investments Limited	Hong Kong/ Mainland China	HK$2	–	100	Property investment
Redmond Investments Limited	Hong Kong/ Mainland China	HK$2	–	100	Property investment
Luks Land Development Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Land Investments Limited	British Virgin Islands/ Hong Kong	US$1	–	100	Investment holding
Luks New Property Solution Company Limited	Mongolia	US$100,000	–	80	Property development
Thanh Phat Agricultural Product and Plastic Company Limited	Vietnam	VND35,000,000,000	–	85	Property development

* Registered as a wholly-foreign-owned enterprise under the People's Republic of China (the "PRC") law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2015. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

The nature and the impact of each amendment is described below:

(a) Amendments to HKAS 19 apply to contributions from employees or third parties to defined benefit plans. The amendments simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of service cost in the period in which the related service is rendered. The amendments have had no impact on the Group as the Group does not have defined benefit plans.

(b) The *Annual Improvements to HKFRSs 2010-2012 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 8 *Operating Segments*: Clarifies that an entity must disclose the judgements made by management in applying the aggregation criteria in HKFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics used to assess whether the segments are similar. The amendments also clarify that a reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments have had no impact on the Group.

- HKAS 16 *Property, Plant and Equipment* and HKAS 38 *Intangible Assets*: Clarifies the treatment of gross carrying amount and accumulated depreciation or amortisation of revalued items of property, plant and equipment and intangible assets. The amendments have had no impact on the Group as the Group does not apply the revaluation model for the measurement of these assets.

- HKAS 24 *Related Party Disclosures*: Clarifies that a management entity (i.e., an entity that provides key management personnel services) is a related party subject to related party disclosure requirements. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment has had no impact on the Group as the Group does not receive any management services from other entities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES
(continued)

(c) The *Annual Improvements to HKFRSs 2011-2013 Cycle* issued in January 2014 sets out amendments to a number of HKFRSs. Details of the amendments that are effective for the current year are as follows:

- HKFRS 3 *Business Combinations*: Clarifies that joint arrangements but not joint ventures are outside the scope of HKFRS 3 and the scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is applied prospectively. The amendment has had no impact on the Group as the Company is not a joint arrangement and the Group did not form any joint arrangement during the year.

- HKFRS 13 *Fair Value Measurement*: Clarifies that the portfolio exception in HKFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of HKFRS 9 or HKAS 39 as applicable. The amendment is applied prospectively from the beginning of the annual period in which HKFRS 13 was initially applied. The amendment has had no impact on the Group as the Group does not apply the portfolio exception in HKFRS 13.

- HKAS 40 *Investment Property*: Clarifies that HKFRS 3, instead of the description of ancillary services in HKAS 40 which differentiates between investment property and owner-occupied property, is used to determine if the transaction is a purchase of an asset or a business combination. The amendment is applied prospectively for acquisitions of investment properties. The amendment has had no impact on the Group as there was no acquisition of investment properties during the year.

In addition, the Company has adopted the amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

1 Effective for annual periods beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group
4 No mandatory effective date is determined but is available for early adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group is currently assessing the impact of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In September 2015, the HKICPA issued an amendment to HKFRS 15 regarding a one-year deferral of the mandatory effective date of HKFRS 15 to 1 January 2018. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The Group expects to adopt the amendments from 1 January 2016. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

An associate is an entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the profit or loss of the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties for development, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Changes in the values of revalued property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged.

On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the lease terms
Leasehold improvements	15% – 20%
Plant and machinery	4% – 15%
Furniture, fixtures and office equipment	9% – 20%
Motor vehicles and vessels	7% – 25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, structures, plant and machinery and other items of property, plant and equipment under construction or installation, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction or installation during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under “Property, plant and equipment and depreciation” up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under “Property, plant and equipment and depreciation” above.

For a transfer from investment properties to owner-occupied properties, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Properties for development

Properties for development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties for development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from the purchase in respect of pre-sale of properties for development prior to completion of the development are included in current liabilities.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms.

Where the Group is the lessee, rentals payable under the operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and deposits.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Investments and other financial assets (continued)

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or cost that are an integral part of the effective interest rate. The effective interest rate amortisation and loss arising from impairment are recognised in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, amounts due to directors and a related company, rental deposits and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(continued)

Dividends

Final dividends proposed by the directors are recognised as a liability only when they have been approved by the shareholders and declared.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit of loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

Any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currencies of certain overseas subsidiaries, a joint venture and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit of loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(continued)

Foreign currencies (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries, a joint venture and associates are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries, a joint venture and associates which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Operating lease commitments – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Impairment assessment on deposits, trade and other receivables

In determining whether impairment loss on deposits, trade and other receivables is required, the Group takes into consideration the likelihood of collection and an aged analysis of the deposits and receivables.

This assessment is based on the current creditworthiness and the past collection history of each debtor and require the use of judgements and estimates. If the financial conditions of debtors of the Group are to deteriorate, resulting in an impairment of their ability to make payments, provisions may be required.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC, Vietnam and Hong Kong which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption made in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidences such as historical transaction, future development plan and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by the management at each reporting date.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

Investment properties were revalued at the end of each reporting period based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results.

In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

Income taxes

The Group is subject to income taxes mainly in Hong Kong, the PRC and Vietnam. Significant judgement is required in determining the amount of the provision for income taxes. These are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) the cement products segment represents the Group's manufacture and sale of cement products for use in the construction industry;

(b) the property investment segment represents the Group's investments in industrial, commercial and residential premises for their rental income potential;

(c) the property development segment represents the Group's development and sale of properties; and

(d) the corporate and others segment represents corporate income and expense items and the Group's manufacture and sale of electronic products, plywood products and traditional Chinese medicine products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's profit/(loss) before tax except that interest income is excluded from such measurement.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Business segments

Year ended 31 December	Cement products 2015 HK$'000	Cement products 2014 HK$'000	Property investment 2015 HK$'000	Property investment 2014 HK$'000	Property development 2015 HK$'000	Property development 2014 HK$'000	Corporate and others 2015 HK$'000	Corporate and others 2014 HK$'000	Consolidated 2015 HK$'000	Consolidated 2014 HK$'000
Segment revenue:										
Sales to external customers	490,619	501,635	110,080	111,806	–	–	9,628	9,743	610,327	623,184
Other income and gains	6,397	740	638	251	–	–	69	–	7,104	991
									617,431	624,175
Segment results	63,819	58,525	87,090	95,639	(2,332)	(1,818)	(34,824)	(44,465)	113,753	107,881
Reconciliation:										
Interest income									8,486	10,682
Share of profits and losses of associates	–	388	–	–	–	–	–	–	–	388
Profit before tax									122,239	118,951
Income tax credit/(expense)	(10,888)	(9,883)	(22,879)	(19,587)	–	–	59	(34)	(33,708)	(29,504)
Profit for the year									88,531	89,447
Segment assets	782,780	865,545	1,567,979	1,642,404	68,889	71,741	185,873	168,405	2,605,521	2,748,095
Reconciliation:										
Investments in associates	–	754	–	–	–	–	–	6	–	760
Total assets									2,605,521	2,748,855
Segment liabilities	87,584	126,985	283,792	315,271	17,594	18,443	20,075	21,752	409,045	482,451
Total liabilities									409,045	482,451
Other segment information:										
Depreciation	45,240	51,445	737	742	343	373	57	106	46,377	52,666
Capital expenditure	3,275	11,196	83,399	14,265	7	–	66	48	86,747	25,509
Impairment/(reversal of impairment) of trade receivables, net	(505)	264	41	–	–	–	–	–	(464)	264
Fair value gains on investment properties, net	–	–	12,117	26,423	–	–	–	–	12,117	26,423
Loss on deregistration of an associate	112	–	–	–	–	–	–	–	112	–
Loss on disposal of investment properties	–	–	801	6,760	–	–	–	–	801	6,760
Write-off of inventories	–	12,548	–	–	–	–	–	–	–	12,548

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(a) Revenue from external customers

	2015	2014
	HK$'000	HK$'000
Vietnam	**588,211**	599,340
Hong Kong	**14,498**	15,993
Mainland China	**7,618**	7,851
	610,327	623,184

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	2015	2014
	HK$'000	HK$'000
Vietnam	**1,881,249**	1,977,341
Hong Kong	**269,611**	186,290
Mainland China	**39,853**	54,499
Mongolia	**864**	1,273
	2,191,577	2,219,403

The non-current asset information above is based on the locations of the assets.

Information about a major customer

Revenue of approximately HK$114,784,000 (2014: HK$107,923,000) was derived from sales by the cement products segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's revenue, other income and gains is as follows:

	2015 HK$'000	2014 HK$'000
Revenue		
Sale of cement	**490,619**	501,635
Gross rental income	**110,080**	111,806
Sale of electronic products	**9,628**	9,586
Sale of traditional Chinese medicine products	**–**	60
Sale of plywood and other wood products	**–**	97
	610,327	623,184
Other income and gains		
Interest income	**8,486**	10,682
Income from sale of scrap materials	**104**	428
Others	**7,000**	563
	15,590	11,673

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2015 HK$'000	2014 HK$'000
Cost of inventories sold		**369,682**	373,620
Depreciation	13	**46,377**	52,666
Amortisation of prepaid land lease payments	15	**2,450**	2,532
Auditors' remuneration		**1,979**	1,929
Minimum operating lease payments		**855**	939
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**44,192**	44,405
Pension scheme contributions		**614**	602
		44,806	45,007
Foreign exchange differences, net*		**6,836**	7,479
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**18,431**	18,843
Impairment/(reversal of impairment) of trade receivables, net	20	**(464)**	264
Write-off of inventories*		**–**	12,548
Loss on deregistration of an associate*		**112**	–
Loss on disposal of items of property, plant and equipment*		**–**	1,855
Loss on disposal of investment properties*		**801**	6,760

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2015 HK$'000	2014 HK$'000
Interest on bank loans	**1,762**	2,350

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2015 HK$'000	2014 HK$'000
Fees	**800**	826
Other emoluments:		
Salaries, allowances and benefits in kind	**10,946**	11,078
Discretionary bonuses	**48**	47
Pension scheme contributions	**72**	51
	11,066	11,176
	11,866	12,002

(a) Independent non-executive directors

	2015 HK$'000	2014 HK$'000
Liang Fang	**100**	100
Liu Li Yuan	**100**	100
Chan Kam Fuk*	**100**	100
	300	300

* Mr. Chan Kam Fuk was appointed as an independent non-executive director of the Company on 16 June 2014.

8. DIRECTORS' REMUNERATION (continued)

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2015					
Luk King Tin* ("Mr. Luk")	–	2,000	–	–	2,000
Cheng Cheung	100	1,890	–	–	1,990
Luk Yan	100	2,193	48	18	2,359
Luk Fung	100	2,237	–	18	2,355
Fan Chiu Tat, Martin	100	1,934	–	18	2,052
Luk Sze Wan, Monsie** ("Ms. Luk")	100	692	–	18	810
	500	10,946	48	72	11,566
2014					
Luk King Tin	100	3,250	–	–	3,350
Cheng Cheung	100	1,690	–	–	1,790
Luk Yan	100	2,090	47	17	2,254
Luk Fung	126	2,176	–	17	2,319
Fan Chiu Tat, Martin	100	1,872	–	17	1,989
	526	11,078	47	51	11,702

* Mr. Luk passed away on 29 August 2015 in Hong Kong.

** Ms. Luk was appointed as an executive director of the Company on 1 December 2015.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2014: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2014: five) directors, details of whose remuneration are set out in note 8 above.

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2014: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2015	2014
	HK$'000	HK$'000
Current charge for the year		
Hong Kong	**68**	54
Elsewhere	**27,944**	24,395
Underprovision/(overprovision) in prior years		
Hong Kong	**(126)**	(20)
Elsewhere	**(175)**	4,286
Deferred (note 30)	**5,997**	789
Total tax charge for the year	**33,708**	29,504

In accordance with the relevant tax rules and regulations in Vietnam, certain of the Group's subsidiaries in Vietnam enjoy income tax exemptions and reductions. At present, the income tax rates applicable to these subsidiaries are 15% to 22%.

10. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2015 HK$'000	2014 HK$'000
Profit before tax	**122,239**	118,951
Tax at the statutory tax rates	**26,957**	25,893
Lower tax rates for specific provinces or enacted by local authority	**(1,706)**	(1,325)
Adjustments in respect of current tax of previous periods	**(301)**	4,266
Profits and losses attributable to associates	**–**	233
Income not subject to tax	**(1,231)**	(10,172)
Expenses not deductible for tax	**4,299**	1,799
Tax losses utilised	**(145)**	(468)
Tax losses not recognised	**5,835**	9,278
	33,708	29,504

The share of tax charge for the year ended 31 December 2014 attributable to associates amounting to HK$42,000 was included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. DIVIDENDS

	2015 HK$'000	2014 HK$'000
Interim – HK6 cents (2014: HK6 cents) per ordinary share	**30,318**	30,318
Final proposed subsequent to the reporting period – HK6 cents (2014: HK12 cents) per ordinary share	**30,318**	60,635
	60,636	90,953

The final dividend proposed subsequent to the reporting period is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 505,297,418 (2014: 505,297,418) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2015 and 2014 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2015 and 2014.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2014 and at 1 January 2015:							
Cost	71,781	2,605	1,006,207	8,736	34,335	439,796	1,563,460
Accumulated depreciation and impairment	(35,956)	(1,809)	(328,844)	(6,936)	(22,828)	(4,554)	(400,927)
Net carrying amount	35,825	796	677,363	1,800	11,507	435,242	1,162,533
At 1 January 2015, net of accumulated depreciation	35,825	796	677,363	1,800	11,507	435,242	1,162,533
Additions	–	–	–	128	5,515	81,104	86,747
Disposals	–	–	(31)	–	(20)	–	(51)
Depreciation provided during the year	(783)	(145)	(42,604)	(205)	(2,640)	–	(46,377)
Exchange realignment	(500)	–	(32,550)	(80)	(577)	(537)	(34,244)
At 31 December 2015, net of accumulated depreciation and impairment	34,542	651	602,178	1,643	13,785	515,809	1,168,608
At 31 December 2015:							
Cost	70,534	2,605	950,534	8,544	28,831	515,809	1,576,857
Accumulated depreciation and impairment	(35,992)	(1,954)	(348,356)	(6,901)	(15,046)	–	(408,249)
Net carrying amount	34,542	651	602,178	1,643	13,785	515,809	1,168,608

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2014	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2013 and 1 January 2014:							
Cost	71,382	2,851	1,017,389	7,442	41,213	15,767	1,156,044
Accumulated depreciation and impairment	(32,334)	(1,863)	(290,346)	(6,838)	(24,066)	(4,634)	(360,081)
Net carrying amount	39,048	988	727,043	604	17,147	11,133	795,963
At 1 January 2014, net of accumulated depreciation	39,048	988	727,043	604	17,147	11,133	795,963
Additions	744	–	6,497	1,700	2,307	14,261	25,509
Disposals	–	–	(9)	–	(5,491)	–	(5,500)
Surplus on revaluation at date of transfer to investment properties	9,936	–	–	–	–	–	9,936
Transfers from investment properties (note 14)	–	–	–	–	–	410,000	410,000
Transfers to investment properties (note 14)	(12,600)	–	–	–	–	–	(12,600)
Depreciation provided during the year	(1,303)	(192)	(48,449)	(480)	(2,242)	–	(52,666)
Exchange realignment	–	–	(7,719)	(24)	(214)	(152)	(8,109)
At 31 December 2014, net of accumulated depreciation and impairment	35,825	796	677,363	1,800	11,507	435,242	1,162,533
At 31 December 2014:							
Cost	71,781	2,605	1,006,207	8,736	34,335	439,796	1,563,460
Accumulated depreciation and impairment	(35,956)	(1,809)	(328,844)	(6,936)	(22,828)	(4,554)	(400,927)
Net carrying amount	35,825	796	677,363	1,800	11,507	435,242	1,162,533

13. PROPERTY, PLANT AND EQUIPMENT (continued)

At 31 December 2015, certain of the Group's construction in progress situated in Hong Kong with an aggregate net carrying amount of HK$505,292,000 (2014: HK$424,261,000) were pledged to secure general banking facilities granted to the Group (note 27).

At 31 December 2014, certain of the Group's plant and machinery with an aggregate net carrying amount of HK$77,088,000 were pledged to secure general banking facilities granted to the Group (note 27).

14. INVESTMENT PROPERTIES

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**993,043**	1,455,748
Additions	**–**	4,343
Net gain from a fair value adjustment	**12,117**	26,423
Transfer from property, plant and equipment (note 13)	**–**	12,600
Transfer to property, plant and equipment (note 13)	**–**	(410,000)
Disposals	**(11,005)**	(84,180)
Exchange realignment	**(40,308)**	(11,891)
Carrying amount at 31 December	**953,847**	993,043
Investment properties classified as held for sale and included in current assets (note)	**–**	(11,005)
Non-current portion	**953,847**	982,038

Note: In prior year, the Group has committed to a plan to dispose of certain investment properties located in Mainland China and the disposal was considered to be highly probable in the forthcoming year. As a result, the relevant investment properties with an aggregate fair value of HK$11,005,000 were reclassified as investment properties classified as held for sale and included in current assets. As at 31 December 2015, all the relevant investment properties were disposed to third parties.

For the years ended 31 December 2015 and 2014, the fair value measurements of all investment properties of the Group are categorised within Level 3 of the fair value hierarchy and details of their movement are disclosed above.

The investment properties situated in Hong Kong and Mainland China were revalued on 31 December 2015 based on valuations performed by BMI Appraisals Limited and the investment properties situated in Vietnam were revalued on 31 December 2015 based on valuations performed by Jones Lang Lasalle Vietnam Company Limited. The investment properties are leased to third parties under operating leases, further details of which are set out in note 33(a) to the financial statements.

14. INVESTMENT PROPERTIES (continued)

Further particulars of the Group's investment properties are set out on page 100.

Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties using:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2015	2014
	HK$'000	HK$'000
Recurring fair value measurement for:		
Industrial properties – Hong Kong and Mainland China	**761,194**	168,173
Residential properties – Mainland China	**27,802**	49,490
Commercial properties – Vietnam	**164,851**	775,380
	953,847	993,043

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2014: Nil).

The valuations of the Group's investment properties in Hong Kong and Mainland China were based on the income capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate and the direct comparison method which was based on price information of comparable properties of similar size, character and location and carefully weighed against all the respective advantages and disadvantages of each of the comparable properties in order to arrive at the fair value.

The valuations of the Group's investment properties in Vietnam were based on the discounted cash flow method, which required periodic net cash flows to be forecasted over the life of the investment and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value and the capitalisation method which required the net operating income to be capitalised by a capitalisation rate to derive the value.

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuations of investments properties categorised within Level 3 of the fair value hierarchy:

	Valuation techniques	Significant unobservable input(s)	Range or weighted average 2015	Range or weighted average 2014
Hong Kong – Industrial properties	Income capitalisatison method and direct comparison method	Discount rate Price per square feet	**3% to 4.5%** **HK$3,664 to HK$4,717**	2.9% to 5.5% HK$2,768 to HK$4,556
Mainland China – Industrial properties	Income capitalisation method	Discount rate Estimated rental value (per square meter and per month)	**9.5%** **HK$29**	9.5% HK$23
Mainland China – Residential properties	Income capitalisation method and direct comparison method	Discount rate Price per square meter Estimated rental value (per square meter and per month)	**6%** **HK$12,299** **HK$18**	5.5% to 9.5% HK$16,863 to HK$43,181 HK$19
Vietnam – Commercial properties	Discounted cash flow method and capitalisation method	Discount rate Capitalisation rate Estimated rental value (per square meter and per month)	**13%** **11%** **HK$241 to HK$343**	13% 11% HK$245 to HK$336
Vietnam – Car parks	Discounted cash flow method	Discount rate Estimated rental value (per car park and per month)	**13%** **HK$186 to HK$1,395**	13% HK$194 to HK$1,396

A significant increase/(decrease) in the estimated rental value per square meter or per car park or price per square meter or per square feet in isolation would result in a significant higher/(lower) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate or the capitalisation rate in isolation would result in a significant lower/(higher) in the fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square meter or per car park is accompanied by a directionally similar change in the development profit and an opposite change in the discount rate or the capitalisation rate.

15. PREPAID LAND LEASE PAYMENTS

	2015 HK$'000	2014 HK$'000
Carrying amount at 1 January	**8,062**	10,717
Recognised during the year (note 6)	**(2,450)**	(2,532)
Exchange realignment	**(330)**	(123)
Carrying amount at 31 December	**5,282**	8,062
Current portion included in prepayments, deposits and other receivables	**(2,388)**	(2,510)
Non-current portion	**2,894**	5,552

16. INVESTMENT IN A JOINT VENTURE

	2015 HK$'000	2014 HK$'000
Share of net assets	**21,654**	21,654
Due to a joint venture	**(21,654)**	(21,654)
	–	–

The amount due to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the joint venture are as follows:

		Percentage of			
Name	**Place of registration**	**Ownership interest**	**Voting power**	**Profit sharing**	**Principal activity**
Chengdu Leming House Development Company Limited#	Mainland China	75	51	75	Property development

Held through a 68%-owned subsidiary of the Company

16. INVESTMENT IN A JOINT VENTURE (continued)

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2015 HK$'000	2014 HK$'000
Aggregate carrying amount of the Group's investment in a joint venture	**21,654**	21,654

The Group had discontinued the recognition of its share of loss of its joint venture because the Group's share of loss of this joint venture exceeded the Group's investment in a joint venture. The amounts of the Group's unrecognised share of loss of this joint venture for the current year and cumulatively were approximately HK$29,000 (2014: HK$339,000) and HK$20,022,000 (2014: HK$19,993,000), respectively.

17. INVESTMENTS IN ASSOCIATES

	2015 HK$'000	2014 HK$'000
Share of net assets	–	754
Loans to associates	–	38,478
	–	39,232
Provision for impairment	–	(38,472)
	–	760

The loans to the associates were unsecured, interest-free and were not repayable within one year.

The movements in the provision for impairment of loans to associates are as follows:

	2015 HK$'000	2014 HK$'000
At 1 January	**38,472**	38,615
Write-off of provision for impairment	**(38,472)**	–
Exchange realignment	–	(143)
At 31 December	–	38,472

17. INVESTMENTS IN ASSOCIATES (continued)

During the year ended 31 December 2015, the Group completed the deregistration of Luks Truong An Limited ("Luks Truong An"), the then 49% associate of the Group. As a result, the impairment loss provision for Luks Truong An was written-off upon the completion of the deregistration and a loss on deregistration of an associate amounted to HK$112,000 is charged to the consolidated statement of profit or loss for the year.

On 4 August 2014, the Group entered into an acquisition agreement with the other shareholder of Luks Truong Son Company Limited ("Luks Truong Son"), the then 49% associate of the Group, to acquire an additional 2% equity interest in Luks Truong Son at a cash consideration of HK$12,000. Upon the completion of this acquisition, the Group is able to control the board of directors, financing and operating policies of Luks Truong Son. Accordingly, Luks Truong Son became a 51%-owned subsidiary of the Group. Luks Truong Son is principally engaged in exploitation and sales of limestone, sand and clay in Vietnam.

At 31 December 2014, the associates were indirectly held through the Company's subsidiaries.

The Group had discontinued the recognition of its share of losses of certain of its associates because the Group's share of losses of these associates exceeded the Group's investments in the associates. There was no unrecognised share of losses of these associates for the year ended 31 December 2014 and at 31 December 2014, the cumulative share of losses were amounted to HK$12,246,000.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2015 **HK$'000**	2014 HK$'000
Share of the associates' profit for the year	–	388
Share of the associates' other comprehensive loss	–	(1,908)
Share of the associates' total comprehensive loss	–	(1,520)
Aggregate carrying amount of the Group's investments in the associates	–	754

18. PROPERTIES FOR DEVELOPMENT

	2015 HK$'000	2014 HK$'000
Situated in Vietnam	32,409	33,847
Situated in Mongolia	61,887	61,887
	94,296	95,734
Impairment (note 6)	(61,887)	(61,887)
	32,409	33,847

19. INVENTORIES

	2015 HK$'000	2014 HK$'000
Raw materials	23,823	22,005
Consumables	24,646	27,680
Work in progress	9,181	9,615
Finished goods	13,488	17,882
	71,138	77,182

20. TRADE RECEIVABLES

	2015 HK$'000	2014 HK$'000
Trade receivables	35,932	43,009
Impairment	(2,665)	(3,276)
	33,267	39,733

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 60 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables.

20. TRADE RECEIVABLES (continued)

Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and net of provision, is as follows:

	2015 **HK$'000**	2014 HK$'000
0 to 30 days	**26,587**	32,175
31 to 60 days	**2,563**	3,491
61 to 90 days	**949**	1,413
91 to 120 days	**277**	1,631
Over 120 days	**2,891**	1,023
	33,267	39,733

The movements in the provision for impairment of trade receivables are as follows:

	2015 **HK$'000**	2014 HK$'000
At 1 January	**3,276**	3,055
Impairment losses recognised (note 6)	**186**	264
Impairment losses reversed (note 6)	**(650)**	–
Exchange realignment	**(147)**	(43)
At 31 December	**2,665**	3,276

The above provision for impairment of trade receivables represents provision for individually impaired trade receivables, which were related to customers that were in default.

20. TRADE RECEIVABLES (continued)

An aged analysis of the trade receivables that are not considered to be impaired is as follows:

	2015 HK$'000	2014 HK$'000
Neither past due nor impaired	**23,113**	33,688
Less than 3 months past due	**6,986**	5,835
Over 3 months past due	**3,168**	210
	33,267	39,733

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2015 HK$'000	2014 HK$'000
Prepayments	**6,360**	9,541
Deposits	**139,422**	140,320
Other receivables	**5,611**	8,728
	151,393	158,589
Impairment of prepayments, deposits and other receivables	**(102,412)**	(102,412)
	48,981	56,177
Non-current portion (note)	**(33,819)**	(34,673)
Current portion	**15,162**	21,504

Note: The balance included advances made for the acquisition of land in Vietnam amounting to HK$33,819,000 (2014: HK$34,673,000) as at 31 December 2015.

22. CASH AND CASH EQUIVALENTS

	2015 HK$'000	2014 HK$'000
Cash and bank balances	**79,516**	79,121
Time deposits	**214,861**	300,907
Cash and cash equivalents	**294,377**	380,028

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") and Vietnamese dong ("VND") amounted to HK$12,813,000 (2014: HK$12,040,000) and HK$84,909,000 (2014: HK$182,903,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

23. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2015 HK$'000	2014 HK$'000
0 to 30 days	**8,269**	14,052
31 to 60 days	**473**	1,113
61 to 90 days	**2**	167
91 to 120 days	**1**	80
Over 120 days	**237**	7,043
	8,982	22,455

The trade payables are non-interest-bearing and are normally settled on terms of 7 to 60 days.

24. OTHER PAYABLES AND ACCRUALS

	2015 HK$'000	2014 HK$'000
Receipts in advance	**12,311**	17,405
Deposits received	**17,552**	16,229
Accruals	**32,923**	28,001
Advances from non-controlling shareholders of certain subsidiaries	**17,031**	18,045
Other payables	**29,909**	31,408
	109,726	111,088

Other payables are non-interest-bearing and are expected to be settled within one year.

25. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

26. DUE TO A RELATED COMPANY

The amount is due to a company controlled by Mr. Luk Fung and is unsecured, interest-free and repayable on demand.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2015			2014		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 28)		2016	339		–	–
Bank loans secured	–	–	–	5.0	2015	25,354
Current portion of long term bank loans – secured	2.69 – 2.76	2016	21,094	1.73 – 2.88	2015	27,456
Long term bank loans with an on demand clause – secured*	2.69 – 2.76	on demand	3,515	1.73 – 2.88	on demand	24,609
			24,948			77,419
Non-current						
Finance lease payables (note 28)		2020	1,327		–	–
			1,327			–
			26,275			77,419

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

(continued)

	2015 HK$'000	2014 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand*	**24,609**	77,419
Other borrowings repayable:		
Within one year	**339**	–
In the second year	**357**	–
In the third to fifth years, inclusive	**970**	–
	1,666	–
	26,275	77,419

* The Group's term loan in the amount of HK$3,515,000 (2014: HK$24,609,000) with an on demand clause has been reclassified as a current liability, and analysed into bank loans repayable within one year or on demand. Based on the maturity terms of the above term loan, the amounts repayable in respect of the loan are HK$3,515,000 (2014: HK$21,094,000) payable in the second year and there is no further payable in the third to fifth years, inclusive (2014: HK$3,515,000).

Notes:

(a) At 31 December 2015, certain of the Group's construction in progress situated in Hong Kong with an aggregate net carrying amount of HK$505,292,000 (2014: HK$424,261,000) were pledged to secure the above bank loans and general banking facilities granted to the Group.

At 31 December 2014, certain of the Group's plant and machinery with an aggregate net carrying amount of HK$77,088,000 were pledged to secure the bank loans and general banking facilities granted to the Group.

(b) At 31 December 2015, the secured bank loans were denominated in Hong Kong dollars with an aggregate amount of HK$24,609,000 (2014: HK$52,065,000).

At 31 December 2014, the secured bank loans were dominated in Vietnamese dong with an aggregate amount of HK$25,354,000.

(c) Other interest rate information:

	2015 HK$'000	2014 HK$'000
Fixed rate:		
Finance lease payables	**1,666**	–
Bank loans – secured	**–**	25,354
	1,666	25,354
Floating rate:		
Bank loans – secured	**24,609**	52,065
	26,275	77,419

28. FINANCE LEASE PAYABLES

The Group leases a motor vehicle for administrative use. This lease is classified as finance lease and has a remaining lease term of five years.

At 31 December 2015, the total future minimum lease payments under the finance lease and their present values were as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2015 HK$'000	2014 HK$'000	**2015 HK$'000**	2014 HK$'000
Amounts payable:				
Within one year	**411**	–	**339**	–
In the second year	**411**	–	**357**	–
In the third to fifth years, inclusive	**1,029**	–	**970**	–
Total minimum finance lease payments	**1,851**	–	**1,666**	–
Future finance charges	**(185)**	–		
Total net finance lease payables	**1,666**	–		
Portion classified as current liabilities (note 27)	**(339)**	–		
Non-current portion (note 27)	**1,327**	–		

29. PROVISIONS

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2015	**4,039**	**1,154**	**5,193**
Additional provision	**2**	**48**	**50**
Amount utilised during the year	**(522)**	**–**	**(522)**
Exchange realignment	**–**	**(60)**	**(60)**
At 31 December 2015	**3,519**	**1,142**	**4,661**

29. PROVISIONS (continued)

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance.

The provision for environmental restoration costs has been determined by the directors based on the best estimate of the expected costs. However, insofar as the effect of the current limestone excavation activities on the land and the environment becomes apparent in future periods, the estimate of the associated costs may be subject to changes.

30. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2014	44,974	169,677	214,651
Charged/(credited) to the statement of profit or loss during the year (note 10)	(1,663)	2,985	1,322
Exchange realignment	(598)	(2,368)	(2,966)
At 31 December 2014 and 1 January 2015	42,713	170,294	213,007
Charged to the statement of profit or loss during the year (note 10)	1,684	3,855	5,539
Exchange realignment	(2,118)	(8,332)	(10,450)
At 31 December 2015	42,279	165,817	208,096

30. DEFERRED TAX (continued)

Deferred tax assets

	Provision and accruals HK$'000
At 1 January 2014	4,464
Credited to the statement of profit or loss during the year (note 10)	533
Exchange realignment	(65)
At 31 December 2014 and 1 January 2015	4,932
Charged to the statement of profit or loss during the year (note 10)	(458)
Exchange realignment	(230)
At 31 December 2015	4,244

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2015 HK$'000	2014 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**203,852**	208,075

The Group has tax losses arising in Hong Kong, Vietnam and Mongolia of HK$651,104,000 (2014: HK$630,569,000), HK$45,485,000 (2014: HK$43,531,000) and HK$23,556,000 (2014: HK$37,398,000), respectively, that are available indefinitely, for a maximum of five years and for a maximum of two years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, joint venture and associates established in the PRC in respect of earnings generated from 1 January 2008.

30. DEFERRED TAX (continued)

At 31 December 2015, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. No temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

31. SHARE CAPITAL

	2015 **HK$'000**	2014 HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
505,297,418 ordinary shares of HK$0.01 each	**5,053**	5,053

The Company's issued share capital is as follows:

	Number of shares in issue	**Issued capital** HK$'000
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	505,297,418	5,053

32. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 31 of this financial statements.

(b) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Luks Industrial Company Limited pursuant to the Group reorganisation and the consolidated net asset value of Luks Industrial Company Limited so acquired. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain prescribed circumstances.

(c) Capital redemption reserve

Capital redemption reserve represents an amount equivalent to the par value of the ordinary shares cancelled as a result of the share repurchase.

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**80,699**	88,109
In the second to fifth years, inclusive	**53,052**	72,772
	133,751	160,881

33. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its land and office properties under operating lease arrangements. Leases for land and office properties are negotiated for terms ranging from two to fifty years.

At 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2015 **HK$'000**	2014 HK$'000
Within one year	**636**	566
In the second to fifth years, inclusive	**2,545**	2,265
After five years	**14,528**	13,498
	17,709	16,329

34. COMMITMENTS

In addition to the operating lease arrangements detailed in note 33(b) above, the Group had the following capital commitments at the end of the reporting period:

	2015 **HK$'000**	2014 HK$'000
Contracted, but not provided for:		
Land	**189,756**	199,448
Property, plant and equipment	**152,661**	219,244
	342,417	418,692

At the end of the reporting period, the Group did not have any significant commitments.

35. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2015 HK$'000	2014 HK$'000
Short term employee benefits	**12,863**	12,795
Post-employment benefits	**72**	51
Total compensation paid to key management personnel	**12,935**	12,846

Further details of directors' emoluments are included in note 8 to the financial statements.

36. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and liabilities of the Group as at 31 December 2015 and 2014 were loans and receivable and financial liabilities stated at amortised cost respectively.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments are reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayment, deposits and other receivables, financial liabilities included in other payables and accruals, amount due to directors, interest-bearing bank and other borrowings and amount due to related parties approximate to their carrying amounts largely due to the short term maturities of these instrument.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2015 was assessed to be insignificant.

The Group's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	**Increase/ (decrease) in profit before tax**
		HK$'000
2015		
Hong Kong dollar	**100**	**(246)**
Hong Kong dollar	**(100)**	**246**
2014		
Hong Kong dollar	100	(521)
Hong Kong dollar	(100)	521

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

The Group is exposed to the risk of fluctuations in exchange rates for its investments in Vietnam. Since VND is a restricted currency and thus hedging instruments are lack of. In order to minimise the Group's exposure to the foreign currency risk, the Group makes use of its surplus cash flows derived from cement plant and borrowings of VND from local banks to repay loans denominated in US$, and in particular, the loan due to the parent company. In addition, most of the expenditures of the cement plant are in VND. For the investment properties situated in Vietnam, over 90% of the Group's leasing contracts are denominated in US$, whereas most of its expenditures are in VND. Management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency risk should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the Vietnamese dong exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in Vietnamese dong rate	**Increase/ (decrease) in profit before tax**
	%	HK$'000
2015		
If United States dollar weakens against Vietnamese dong	**1**	**1,333**
If United States dollar strengthens against Vietnamese dong	**(1)**	**(1,333)**
2014		
If United States dollar weakens against Vietnamese dong	1	1,195
If United States dollar strengthens against Vietnamese dong	(1)	(1,195)

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, debt investments at fair value through profit or loss and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2015				
	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
Trade payables	8,982	–	–	–	8,982
Financial liabilities included in other payables and accruals	97,415	–	–	–	97,415
Due to directors	46	–	–	–	46
Due to a joint venture	21,654	–	–	–	21,654
Due to a related company	4,381	–	–	–	4,381
Interest-bearing bank and other borrowings	25,439	411	1,029	–	26,879
Rental deposits	–	11,355	6,164	–	17,519
	157,917	11,766	7,193	–	176,876

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	2014				
	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
Trade payables	22,455	–	–	–	22,455
Financial liabilities included in other payables and accruals	93,683	–	–	–	93,683
Due to directors	55	–	–	–	55
Due to a joint venture	21,654	–	–	–	21,654
Due to a related company	4,383	–	–	–	4,383
Interest-bearing bank and other borrowings	78,945	–	–	–	78,945
Rental deposits	–	8,883	10,635	–	19,518
	221,175	8,883	10,635	–	240,693

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. The Group aims to maintain a healthy and stable net gearing ratio. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

	2015 **HK$'000**	2014 HK$'000
Interest-bearing bank and other borrowings (note 27)	**26,275**	77,419
Less: Cash and cash equivalents (note 22)	**(294,377)**	(380,028)
Net debt	**(268,102)**	(302,609)
Total equity	**2,196,476**	2,266,404
Gearing ratio	**N/A**	N/A

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2015 **HK$'000**	2014 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**146**	123
Investments in subsidiaries	**215,255**	356,055
Total non-current assets	**215,401**	356,178
CURRENT ASSETS		
Prepayments	**409**	–
Cash and cash equivalents	**159,569**	142,981
Total current assets	**159,978**	142,981
CURRENT LIABILITIES		
Other payables and accruals	**5,155**	5,321
Due to directors	**46**	55
Total current liabilities	**5,201**	5,376
NET CURRENT ASSETS	**154,777**	137,605
TOTAL ASSETS LESS CURRENT LIABILITIES	**370,178**	493,783
NON-CURRENT LIABILITIES		
Provisions	**3,193**	3,715
Total non-current liabilities	**3,193**	3,715
Net assets	**366,985**	490,068
EQUITY		
Issued capital	**5,053**	5,053
Reserves (note)	**361,932**	485,015
Total equity	**366,985**	490,068

Cheng Cheung
Director

Luk Sze Wan, Monsie
Director

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2014		738,496	260,807	703	(414,816)	585,190
Total comprehensive loss for the year		–	–	–	(34,488)	(34,488)
Final 2013 dividend		–	(35,369)	–	–	(35,369)
Interim 2014 dividend	11	–	(30,318)	–	–	(30,318)
At 31 December 2014 and 1 January 2015		738,496	195,120	703	(449,304)	485,015
Total comprehensive loss for the year		–	–	–	(32,130)	(32,130)
Final 2014 dividend		–	(60,635)	–	–	(60,635)
Interim 2015 dividend	11	–	(30,318)	–	–	(30,318)
At 31 December 2015		738,496	104,167	703	(481,434)	361,932

40. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements due to the implementation of the Hong Kong Companies Ordinance (Cap. 622) during the current year, the presentation and disclosures of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been restated to conform with the current year's presentation and disclosures.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2016.

Particulars of Investment Properties

31 December 2015

Location	Use	Tenure	Attributable interest of the Group
Store Rooms 4, 5 and 6 on Upper Basement Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
Flat A2, 3F., Flat B, 4/F., Flat A2, 6/F., Flat C, 7/F. and Flats A1 & A2, 9/F., Cheong Wah Factory Building, No. 39-41 Sheung Heung Road and No. 60 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Long-term leases	100%
Workshops E2 & F2, 7/F., Hang Fung Industrial Building, Phase II, No. 2G Hok Yuen Street East, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
The whole block of Luks Industrial Building and Dormitory, Xinan 3rd Road, Xinanban Zone No. 28, Bao An Area, Shenzhen, the PRC	Industrial and residential building for rental	Short-term leases	100%
1st and 2nd Floors of the Dormitory, 2nd of 05A, Area 33, Bao An Area, Shenzhen, the PRC	Residential building for rental	Short-term leases	100%
Saigon Trade Centre, No. 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam	Commercial building for rental	Medium-term leases	100%

Particulars of Property for Development

31 December 2015

Location	Use	Site Area (square metre)	Attributable interest of the Group
Thanh Phat Apartment Area 394 Ho Hoi Lam Street An Lac Ward Binh Tan District Ho Chi Minh City Vietnam	Residential	22,221	85%

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below.

RESULTS

	Year ended 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**88,531**	89,447	111,938	128,306	62,152
Attributable to:					
Owners of the parent	**89,580**	92,526	132,718	129,361	63,997
Non-controlling interests	**(1,049)**	(3,079)	(20,780)	(1,055)	(1,845)
	88,531	89,447	111,938	128,306	62,152

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2015	2014	2013	2012	2011
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,605,521**	2,748,855	2,798,576	2,790,434	2,757,202
TOTAL LIABILITIES	**(409,045)**	(482,451)	(550,434)	(627,650)	(687,535)
NON-CONTROLLING INTERESTS	**31,665**	30,575	32,893	15,414	3,968
	2,228,141	2,296,979	2,281,035	2,178,198	2,073,635