

# 陸氏



陸氏集團(越南控股)有限公司  
LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code: 0366

**2007** Interim Report



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## BUSINESS REVIEW AND PROSPECTS

Vietnam was formally admitted to the World Trade Organization (“WTO”) on 11 January 2007, which has not only accelerated the economy’s growth pace but also resulted in dramatic and substantial increase in foreign investments. The two major investments of the Group in Vietnam, namely cement manufacturing and sales, and property investment were therefore directly benefited and recorded significant growth during the period.

For the six-month period ended 30 June 2007, the Group recorded a turnover of HK\$243,320,000, representing an increase of 36% as compared to HK\$178,618,000 for the corresponding period of last year. The main sources of the Group’s turnover came from its cement business and property investment business. The cement business recorded a turnover of HK\$183,384,000, representing an increase of 37% as compared to that of last year. While the property investment business recorded a turnover of HK\$54,171,000, representing an increase of 32% as compared to that of last year.

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the first half of 2007 was HK\$62,944,000, representing an increase of 64% as compared to HK\$38,462,000 for the same period in 2006.

### Cement Business

For the first half of the year, the Group’s cement plant achieved total sales of 572,000 tonnes of cement, representing an increase of 32% as compared to the same period of last year. Profits before tax of the cement plant recorded a growth of 44% as compared to that of last year.

As a new production line came into operation in the end of last year, the total capacity of the Group’s cement plant has been uplifted to 1,500,000 tonnes per annum. It attributed to an increase in the total quantity of cement produced and sold during the period. At the beginning stage of production or so-called the trial period, the production was yet to be stable. It is anticipated that the total quantity of cement produced and sold shall be more stable and increased in the second half of the year.

Cement price has increased for about 2% as compared to that of year-end 2006, which could offset the effect of increase in production cost during the period. The gross profit margin of the Group’s cement plant has maintained at around 41% during the period.

On the other hand, a new cement production line with an annual capacity of 1,300,000 tonnes has been purchased and is about ready for shipping to the site for installation, and with the related infrastructure works of the production line undergoing as scheduled. However, the construction works for the planned cement grinding station in Hochiminh City has been affected by the slow relocation and removal process on the site. Besides, the Group has also planned to build another cement grinding station with an annual capacity of 1,500,000 tonnes in the central part of Vietnam in order to satisfy the growing demand in the Central market.



## Saigon Trade Centre and other investment properties

Following with substantial increase in foreign investors in Vietnam and rapid growth of the local companies, the demand for office spaces in Hochiminh City has been very keen during the period. The occupancy rate of the Group's Saigon Trade Centre in the city center of Hochiminh City has reached 100% as at 30 June 2007, comparing to that of 95% as at 31 December 2006.

The gross revenue of Saigon Trade Centre has increased for more than 40% as compared to the same period of last year, whereas the EBITA has also increased for more than 30%. Since the supply of office spaces is still very limited, especially with most of the original planned new supply in 2007 and 2008, having been delayed to 2009 and 2010 before it can be launched to the market. Therefore, it is expected that the rental rate shall further go up in the coming two years.

The rental income for the Group's other investment properties situated in Hong Kong and the PRC has been stable during the period.

## Property Development

Besides for the memorandums having been signed, during the period, the Group has also been actively exploring other opportunities in property development and land reserve in Hochiminh City of Vietnam. Since the admission of Vietnam into the WTO, foreign and local investments in Vietnam have been in frenzy and a period of overwhelming excitement has been experienced in Vietnam's investments market. During the period, asking price for property projects suitable for long-term investment purpose was too high and thus increased the difficulties in negotiation. However, maybe due to the effect of the "Second Mortgage Crisis" in the USA, terms asked by Vietnamese counterparts recently are seen more reasonable. It is expected that the Group shall be able to obtain some prospective property projects in the second half of the year.

The Group's investment strategy in Vietnam is long-term. As Vietnam has just been admitted to the WTO, there are great potentials in its development. The Group is optimistic to the future and economic development of Vietnam. However, at this current stage, it is experiencing a trial period in the learning curve of adapting to the rules and practices in trade and business of the international community. New policies and laws to accommodate the admission into the WTO are being seen promulgated from time to time. At this stage, the process, whether it is for the government procedures or commercial development, would be slower than usually expected, and patience is required.

## Traditional Chinese Medicine (TCM) Business

For the first half of 2007, the operating loss of the TCM business before minority interest was HK\$1,727,000, representing a decrease of approximately 60% as compared to HK\$4,345,000 of the corresponding period in last year.

## Dividend

The Group has achieved a stable cash inflow and yet it also has to retain cash for investment purpose, the board of directors has thus resolved to declare an interim dividend of HK\$0.03 per share to the shareholders.



## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group's cash and bank balances as at 30 June 2007 amounted to HK\$841,862,000 (as at 31 December 2006: HK\$126,631,000). The Group's cash and bank balances increased substantially mainly due to the issuance of new shares during the period. The Group's total borrowings amounted to HK\$155,073,000 (as at 31 December 2006: HK\$115,838,000), of which HK\$95,351,000 was repayable within 1 year, HK\$59,722,000 repayable over 1 year. The percentage of the Group's borrowings denominated in HK\$ and Vietnamese Dong ("VND") were 23% and 77% respectively.

The gearing ratio, expressed as the percentage of long-term debt to equity, was 3% as at 30 June 2007 (as at 31 December 2006: 3%).

### Share Capital

On 29 May 2007, the Company issued 60,000,000 new shares at HK\$12.80 per share, resulting in a significant increase in issued shares during the period. The net proceed of the issuance after deducting expenses was approximately HK\$743,000,000.

Besides, for the first six months of 2007, a total number of 13,270,000 share options have been exercised resulting in the issuance of 13,270,000 new shares of the Company and thus also attributed to an increase in new shares of the Company. As at 30 June 2007, there were 5,300,000 outstanding share options of the Company not yet to be exercised.

As at 30 June 2007, the total number of issued shares of the Company was 573,205,418 shares (as at 31 December 2006: 499,935,418 shares).

### Future Development Plan and Commitment

On 5 January 2007, Luks Land Development Ltd., a wholly-owned subsidiary of the Company entered into a conditional Memorandum with Hong Phuc Investment and Trading Joint Stock Company in connection with a proposal to establish a JVC in Vietnam for the Project with a proposed total share capital of US\$9.5 million (approximately HK\$74,100,000). Luks Land Development and Hong Phuc shall own 90% and 10% of the proposed JVC respectively. The setting up of the proposed JVC is conditional upon, inter alia, the obtaining of Land Use Right Certificate of the Land Area by Hong Phuc, all necessary written approvals for developing the Land Area into the Project and the licenses for the formation of the JVC by the relevant authorities of Vietnam having been granted.



On 5 February 2007, the Group entered into the 2 respective conditional agreements with China National Aero-Technology Import & Export Corporation Beijing Company in connection with the Purchase of Cement Production Equipment to be installed in Vietnam namely, (i) the Facilities of a 3000TPD clinkers' production line at a consideration of US\$17,166,000 (approximately HK\$133,894,800) and (ii) the Facilities of a 1.5 million TPY cement grinding mill at a consideration of US\$8,390,000 (approximately HK\$65,442,000) respectively. The aggregate consideration will be paid partially from bank's borrowings and partially from the Company's internal resources. Upon completion of the new production line, the Group's annual cement production capacity of will be increased for 1.3 million tonnes.

On 18 May 2007, Luks Industrial Co., Ltd. a wholly owned subsidiary of the Company entered into a conditional Memorandum with CNS which belongs to the Industry Department of Ho Chi Minh City, Vietnam in connection with the proposed cooperation in various fields of investments in Vietnam including but not limited to a proposal to set up two joint stock companies in Vietnam for the respective investment of Cement Project and Property Development Project. Other proposed projects of cooperation in Vietnam included (i) investment in a thermal power plant; (ii) construction of industrial zones and (iii) investment in an ecological resort. Formal agreements in respect of each project will be signed upon all necessary approvals for each project having been obtained from the relevant authorities in Vietnam. Details of the Memorandum were stated in the circular of the Group dated 12 June 2007.

## Employees and Remuneration Policy

As at 30 June 2007, the Group had approximately 1,040 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$16,702,000 for the period. The Group has granted share options to certain employees in order to encourage their contributions to the Group during the period. Save for the above, there was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2006.

## Details of Charges

As at 30 June 2007, the Group has pledged certain fixed assets at a net book value of HK\$363,320,000 to secure banking facilities. In addition, bank deposits of HK\$7,901,000 of the Group have been pledged to bank for the purchase of fixed assets.

## Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group's investments in Vietnam are subject to the exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, there is a lack of hedging instruments in the market. The exchange rate of VND to USD recorded a devaluation of 0.2% as at 30 June 2007 when compared to the rate as at 31 December 2006. The Group's measures to minimize its exposure to the risk have not been changed from those disclosed on its annual report for the year ended 31 December 2006.

## Details of Contingent Liabilities

As at 30 June 2007, the Group had no significant contingent liabilities (31 December 2006: Nil).



# Interim Financial Statements

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2007, together with the comparative figures for the corresponding period in 2006. These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	For the six months ended 30 June	
		2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
REVENUE	3	243,320	178,618
Cost of sales		(111,570)	(83,382)
Gross profit		131,750	95,236
Other income and gains	3	4,960	6,208
Selling and distribution costs		(19,698)	(11,759)
Administrative expenses		(40,627)	(33,193)
Other expenses		(2,725)	(6,447)
Finance costs	4	(6,153)	(5,938)
Share of profits and losses of jointly-controlled entities		(962)	(1,244)
PROFIT BEFORE TAX	5	66,545	42,863
Tax	6	(4,117)	(4,401)
PROFIT FOR THE PERIOD		62,428	38,462
ATTRIBUTABLE TO:			
Equity holders of the parent		62,944	38,462
Minority interests		(516)	—
		62,428	38,462
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	7	12.1 cents	7.8 cents
Diluted		12.0 cents	7.8 cents
DIVIDEND PER SHARE	8	3.0 cents	3.0 cents



# Interim Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		542,945	460,164
Investment properties		901,343	899,441
Prepaid land lease payments		21,168	22,174
Goodwill		15,842	15,842
Interests in jointly-controlled entities		2,489	2,824
Available-for-sale investments		517	657
Time deposit		—	15,600
<b>Total non-current assets</b>		<b>1,484,304</b>	1,416,702
<b>CURRENT ASSETS</b>			
Inventories		11,009	19,496
Trade receivables	9	46,666	24,879
Prepayments, deposits and other receivables		34,911	20,843
Debt investments at fair value through profit or loss		1,094	1,094
Pledged deposits		7,901	20,869
Cash and cash equivalents		833,961	90,162
<b>Total current assets</b>		<b>935,542</b>	177,343
<b>CURRENT LIABILITIES</b>			
Trade payables	10	29,855	19,911
Tax payable		36,545	35,903
Other payables and accruals		41,256	71,239
Due to directors		60	901
Due to a related company		3,834	4,334
Interest-bearing bank and other borrowings		95,351	77,419
<b>Total current liabilities</b>		<b>206,901</b>	209,707
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<b>728,641</b>	(32,364)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,212,945</b>	1,384,338





# Interim Financial Statements

## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2007

	Notes	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
<hr/>			
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,212,945</b>	1,384,338
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NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<b>59,722</b>	38,419
Rental deposits		<b>30,107</b>	25,416
Provisions		<b>4,888</b>	4,533
Deferred tax liabilities		<b>99,212</b>	97,255
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Total non-current liabilities		<b>193,929</b>	165,623
<hr/>			
Net assets		<b>2,019,016</b>	1,218,715
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EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	<b>5,732</b>	4,999
Reserves		<b>1,997,861</b>	1,190,158
Proposed dividend		<b>17,199</b>	25,650
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		<b>2,020,792</b>	1,220,807
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Minority interests		<b>(1,776)</b>	(2,092)
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Total equity		<b>2,019,016</b>	1,218,715
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# Interim Financial Statements

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Minority interests (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2007	4,999	211,119	663,720	2,138	(71,157)	384,338	25,650	1,220,807	(2,092)	1,218,715
2006 final dividend paid	—	—	—	—	—	—	(25,650)	(25,650)	—	(25,650)
Exchange realignment	—	—	—	—	2,201	—	—	2,201	832	3,033
Profit for the period	—	—	—	—	—	62,944	—	62,944	(516)	62,428
Exercise of share										
options (note 12)	133	15,924	—	—	—	—	—	16,057	—	16,057
Allotment of share (note 11)	600	743,833	—	—	—	—	—	744,433	—	744,433
Interim dividend (note 8)	—	—	(17,199)	—	—	—	17,199	—	—	—
At 30 June 2007	5,732	970,876*	646,521*	2,138*	(68,956)*	447,282*	17,199	2,020,792	(1,776)	2,019,016

\* These reserve accounts comprise the condensed consolidated reserves of approximately HK\$1,997,861,000 in the consolidated balance sheet as at 30 June 2007.

	Share Issued capital (Unaudited) HK\$'000	Share premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000	Share option reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total equity (Unaudited) HK\$'000
At 1 January 2006	4,907	198,801	704,249	—	(70,374)	183,995	24,535	1,046,113
2005 final dividend paid	—	—	—	—	—	—	(24,535)	(24,535)
Exchange realignment	—	—	—	—	(1,120)	—	—	(1,120)
Profit for the period	—	—	—	—	—	38,462	—	38,462
Exercise of share								
options	5	602	—	(62)	—	—	—	545
Employee share								
option scheme	—	—	—	3,296	—	—	—	3,296
Interim dividend (note 8)	—	—	—	—	—	(14,875)	14,875	—
At 30 June 2006	4,912	199,403	704,249	3,234	(71,494)	207,582	14,875	1,062,761



## Interim Financial Statements

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	39,934	59,776
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(68,869)	(48,008)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	772,734	(25,593)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	743,799	(13,825)
Cash and cash equivalents at beginning of period	90,162	90,143
CASH AND CASH EQUIVALENTS AT END OF PERIOD	833,961	76,318
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	50,189	76,318
Non-pledged time deposits with original maturity of less than three months when acquired	783,772	—
	833,961	76,318



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 1. ACCOUNTING POLICIES

The condensed consolidated interim financial statements are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting”. The accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2006, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HKAS 1 Admendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 “Financial Reporting in Hyperinflationary Economies”
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of the above new and revised HKFRSs has no material impact on the accounting policies of the Group and the methods of computation in the Group’s condensed consolidated financial statements.

## 2. SEGMENT INFORMATION

The Group’s operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group’s business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group’s primary segments for the six months ended 30 June 2007 and 2006.

	Cement products		Property investment		Traditional Chinese medicine products		Investment		Corporate		Others		Consolidated	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000	(Unaudited) HK\$’000
Segment revenue:														
External sales	183,384	134,228	54,171	41,112	2,585	1,849	—	—	—	—	3,180	1,429	243,320	178,618
Other income and gains	1,379	722	993	1,811	—	16	—	1,183	—	—	244	—	2,616	3,732
	184,763	134,950	55,164	42,923	2,585	1,865	—	1,183	—	—	3,424	1,429	245,936	182,350
Segment results	51,515	37,184	32,629	24,722	(1,727)	(4,345)	—	874	(10,554)	(9,518)	(548)	(1,348)	71,315	47,569
Interest income														2,345
Finance costs														(6,153)
Share of profits and losses of jointly-controlled entities														(962)
Profit before tax														66,545
Tax														(4,117)
Profit for the period														62,428



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, 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 period.

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

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of cement	183,384	134,228
Gross rental income	54,171	41,112
Sale of electronic products	498	753
Sale of traditional Chinese medicine products	2,585	1,849
Sale of plywood and other wood products	2,682	676
	<b>243,320</b>	<b>178,618</b>
<b>Other income and gains</b>		
Interest income	2,345	2,476
Write back of other payables	—	2,927
Foreign exchange differences, net	966	—
Gain on disposal of scrap materials	1,128	—
Others	521	805
	<b>4,960</b>	<b>6,208</b>

## 4. FINANCE COSTS

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	6,138	5,938
Finance leases	15	—
	<b>6,153</b>	<b>5,938</b>



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Cost of inventories sold	111,106	83,050
Depreciation	17,001	10,266

## 6. TAX

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
Current — Overseas	2,160	3,439
Deferred	1,957	962
Total tax charge for the period	4,117	4,401

No provision for Hong Kong profits tax has been made as the relevant Hong Kong subsidiaries did not generate any assessable profits arising in Hong Kong during the period (2006: Nil).

Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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

The calculations of basic and diluted earnings per share attributable to ordinary equity holders of the parent are based on:

	For the six months ended 30 June	
	2007 (Unaudited) HK\$'000	2006 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	62,944	38,462



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Continued)

	Number of shares	
	For the six months ended 30 June	
	2007 (Unaudited)	2006 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	518,818,880	490,713,918
Effect of dilution — weighted average number of ordinary shares:		
Share options	4,453,295	398,300
	<b>523,272,175</b>	491,112,218

## 8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 3 cents (2006: HK 3 cents) per ordinary share in issue in respect of the six months ended 30 June 2007 payable on or before 23 October 2007 to shareholders whose names are on the Registers of Members on 12 October 2007.

## 9. TRADE RECEIVABLES

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

An aged analysis of the trade receivables as at the balance sheet date, based on payment due date, net of provision for impairment, is as follows:

	30 June 2007 (Unaudited) HK\$'000	31 December 2006 (Audited) HK\$'000
0 — 30 days	24,708	15,000
31 — 60 days	4,410	3,487
61 — 90 days	1,649	1,486
91 — 120 days	964	370
Over 120 days	14,935	4,536
	<b>46,666</b>	24,879



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 10. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
0 — 30 days	11,778	11,395
31 — 60 days	250	324
61 — 90 days	77	294
91 — 120 days	80	21
Over 120 days	17,670	7,877
	<b>29,855</b>	19,911

## 11. SHARE CAPITAL

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Authorised: 760,000,000 ordinary shares of HK\$0.01 each	<b>7,600</b>	7,600
Issued and fully paid: 573,205,418 (2006: 499,935,418) ordinary shares of HK\$0.01 each	<b>5,732</b>	4,999

A summary of the transactions in the Company's issued share capital is as follows:

	<b>Number of shares in issue</b>	<b>Issued share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 31 December 2006 and 1 January 2007	499,935,418	4,999	211,119	216,118
Share options exercised	13,270,000	133	15,924	16,057
Allotment	60,000,000	600	767,400	768,000
Share issue expenses	—	—	(23,567)	(23,567)
At 30 June 2007	573,205,418	5,732	970,876	976,608





30 June 2007

## 12. SHARE OPTION SCHEME

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, and other employees of the Group. The Scheme became effective on 18 May 2006 and, unless otherwise cancelled or amended, will remain in force for 5 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issued at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.



# Notes to Condensed Consolidated Interim Financial Statements

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## 12. SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Scheme during the period:

Name or category of participant	Number of share options				Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of Company's shares***		
	At 1 January 2007	Granted during the period	Exercised during the period	At 30 June 2007				At grant date of options	Immediately before the exercise date	At exercise date of options
							HK\$	HK\$	HK\$	HK\$
<b>Executive directors</b>										
Luk King Tin	3,500,000	—	(3,500,000)	—	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	4.35	4.39
Cheng Cheung	1,000,000	—	—	1,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	—	—
Luk Yan	3,000,000	—	(3,000,000)	—	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	3.76	3.81
Luk Fung	2,000,000	—	(2,000,000)	—	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	3.76	3.81
Fan Chiu Tat, Martin	2,000,000	—	(2,000,000)	—	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	3.76	3.81
	11,500,000	—	(10,500,000)	1,000,000						
<b>Other employees</b>										
In aggregate	3,770,000	—	(2,770,000)	1,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	4.43	4.49
In aggregate	950,000	—	—	950,000	25-10-2006	25-10-2006 to 18-5-2011	3.17	3.18	—	—
In aggregate	—	2,350,000	—	2,350,000	1-2-2007	1-2-2007 to 18-5-2011	5.04	5.04	—	—
	16,220,000	2,350,000	(13,270,000)	5,300,000						

Notes to the reconciliation of share options outstanding during the period:

- \* The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- \*\* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
- \*\*\* The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 13. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

The Group leases its investment properties 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 30 June 2007, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	54,449	69,300
In the second to fifth years, inclusive	80,898	41,056
	<b>135,347</b>	110,356

### (b) As lessee

The Group leases certain of its land and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging between one to thirty-seven years.

At 30 June 2007, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Within one year	703	789
In the second to fifth years, inclusive	2,233	2,204
After five years	23,841	24,345
	<b>26,777</b>	27,338



# Notes to Condensed Consolidated Interim Financial Statements

30 June 2007

## 14. COMMITMENTS

In addition to the operating lease arrangement detailed in note 13(b) above, the Group had the following capital commitments at the balance sheet date:

	<b>30 June 2007 (Unaudited) HK\$'000</b>	31 December 2006 (Audited) HK\$'000
Authorised and contracted for property, plant and equipment	<b>314,114</b>	36,017
Commitment on capital contribution to a proposed joint venture	<b>15,600</b>	15,600
<b>Total capital commitments</b>	<b>329,714</b>	51,617

## 15. RELATED PARTY TRANSACTIONS

### (a) Outstanding balances with related parties:

As disclosed in the balance sheet, the outstanding balances owed by the Group to its directors and related company amounted to HK\$60,000 (31 December 2006: HK\$901,000) and HK\$3,834,000 (31 December 2006: HK\$4,334,000), respectively.

The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayments. The carrying amounts of these amounts due to related parties approximate to their fair values.

### (b) Compensation of key management personnel of the Group

	<b>For the six months ended 30 June</b>	
	<b>2007 (Unaudited) HK\$'000</b>	2006 (Unaudited) HK\$'000
Short-term employee benefits	<b>3,114</b>	3,107
Post-employment benefits	<b>18</b>	18
<b>Total compensation paid to key management personnel</b>	<b>3,132</b>	3,125

## 16. CONTINGENT LIABILITIES

At the balance sheet date, the Group had no significant contingent liabilities.

## 17. APPROVAL OF THE INTERIM FINANCIAL REPORT

These condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 24 September 2007.



### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 3 cents (2005: HK 3 cents) per ordinary share in issue in respect of the six months ended 30 June 2007 payable on or before 23 October 2007 to shareholders whose names are on the Registers of Members on 12 October 2007.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 10 October 2007 to Friday, 12 October 2007, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, 9 October 2007. Cheques for interim dividends will be dispatched on or before 23 October 2007.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2007, the interests of the directors 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:*

Name of director	Notes	Number of shares held, capacity and nature of interest				Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation	Total	
Luk King Tin	(a)	189,552,399	—	62,684,958	252,237,357	44.00
Cheng Cheung	(b)	18,028,800	—	36,912,027	54,940,827	9.58
Luk Yan	(c)	3,070,800	174,000	—	3,244,800	0.57
Luk Fung		3,129,600	—	—	3,129,600	0.55
Fan Chiu Tat, Martin		1,500,000	—	—	1,500,000	0.26
		215,281,599	174,000	99,596,985	315,052,584	54.96

*Long positions in shares of an associated corporation:*

Name of director	Notes	Number of shares held, capacity and nature of interest				Percentage of the associated corporation's issued share capital
		Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	
Luk King Tin and Luk Fung	(d)	Vigconic International (Holdings) Limited ("VI")	Company's subsidiary	2,299,908	Through controlled corporation	25



Notes:

- (a) Mr. Luk King Tin had a beneficial interest in KT (Holdings) Limited, which held 62,684,958 shares of the Company at the balance sheet date.
- (b) Madam Cheng Cheung had a beneficial interest in CC (Holdings) Limited, which held 36,912,027 shares of the Company at the balance sheet date.
- (c) Mr. Luk Yan had a family interest, which held 174,000 shares of the Company at the balance sheet date.
- (d) Mr. Luk King Tin and Mr. Luk Fung had a beneficial interest in Vigconic Biotechnology Company Limited, which held 2,299,908 shares of US\$1 each of VI at the balance sheet date.

The interests of the directors in the share options of the Company are separately disclosed in note 12 to the condensed consolidated interim financial statements.

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 30 June 2007, none of the directors 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

Save as disclosed in note 12 to the condensed consolidated interim financial statements, at no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse 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 IN SHARES

At 30 June 2007, 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 in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
KT (Holdings) Limited	Directly beneficially owned	62,684,958	10.94
CC (Holdings) Limited	Directly beneficially owned	36,912,027	6.44

Save as disclosed above, as at 30 June 2007, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests 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.



### **PURCHASE, SALE AND REDEMPTION OF SHARES**

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

### **CODE ON CORPORATE GOVERNANCE PRACTICES**

In the opinion of the directors, the Company complied with the code provisions (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") throughout the accounting period covered by the interim report, except for the following:—

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin. Mr. Luk being the founder of the Company, has been the Chairman and the Chief Executive Officer of the Company and in charge of the overall management of the Company since the beginning. 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.
- (ii) According to the Company's Bye-laws, the Chairman or Managing Director of the Company is not subject to retirement by rotation. 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.

### **MODEL CODE FOR SECURITIES TRANSACTIONS**

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

### **AUDIT COMMITTEE**

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. These unaudited condensed consolidated interim financial statements for the six months ended 30 June 2007 now reported have been reviewed by the Company's audit committee.

By Order of the Board

**Luks Group (Vietnam Holdings) Co., Ltd.**

**Luk King Tin**  
*Chairman*

Hong Kong, 24 September 2007