



陸氏集團(越南控股)有限公司

LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366



LUKS

2008 Interim Report

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### BUSINESS REVIEW AND PROSPECTS

The global financial market has deteriorated dramatically as a result of the sub-prime crisis in the USA. In addition, the surge of oil price has also led to an increase in inflationary pressure all over the world and the slowing down of the global economic growth, in which Vietnam is inescapable from the turmoil.

Vietnam joined the WTO last year and soon became the spotlight of the emerging markets and also became one of the most favourable markets for foreign investments. Yet, the economy was overheated in May this year that ended up in huge trade deficit and sky rocketing inflation rate. The situation was exaggerated by international financial institutions as a replicate of the Asian financial crises in 1997. The forward exchange rate of Vietnamese Dong ("VND") was sold short in a large extent by speculators, which led to its depreciation in a short period of time. This in turn triggered confidence loss and panic emotion of the investors in Vietnam's market.

The crisis was indeed, quite similar to that of the overheated economy's situation in China during 1983. Similar problems were seen as a result of the transitional process from planned economy to market economy. However, as long as the Vietnamese government insists on its open policy and has adopted appropriate administrative and economic measures to stabilize the economy, the problems shall be able to be solved gradually. As of today, the VND has been back to stable. Since the Group has been one of the pioneered investors in both China and Vietnam, the experience in China could help to understand more clearly the similar situation happened here in Vietnam. As a whole, the Group is optimistic to the long-term development of the Vietnam's economy and will pursue its investment strategy in the Vietnam's market.

For the six-month period ended 30 June 2008, the Group recorded a turnover of HK\$320,713,000, representing an increase of 32% as compared to HK\$243,320,000 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\$253,220,000, representing an increase of 38% as compared to that of last year. While the property investment business recorded a turnover of HK\$63,333,000, representing an increase of 17% as compared to that of last year.

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the first half of 2008 was HK\$79,516,000, representing an increase of 26% as compared to HK\$62,944,000 for the same period in 2007.

#### Cement Business

For the first half of the year, the Group's cement plant recorded total sales of 719,000 tonnes of cement, representing an increase of 26% as compared to the same period of last year. From January this year, an increase in coal price and a surge in inflation rate in Vietnam resulted in an increase in the cement production cost. However, the Vietnam's cement market is still in shortage and requires an import of about 4 million tonnes of clinkers per annum. And thus, the Group has been able to raise its cement price gradually, which has not only covered the cost increase but also posted an extra increase in about 1.5% on the gross profit margin. During the period, profits before tax and interests of the cement plant recorded a growth of approximately 38% as compared to that of last year.

The new fourth production line, which has a production capacity of 3,000 tonnes clinkers per day, is expected to come into operation by the end of September this year. The total quantity of cement produced by the Group is expected to reach 1,650,000 tonnes for the full year of 2008, conditional on the smooth operation of the new production line. With an increase in quantity produced, profit growth is also expected to increase significantly.

Besides, after having obtained the approvals from the Vietnamese central government for the construction of the 5th production line, the Group has just been granted the land site and the limestone mine for the 5th production line by the provincial government. The 5th production line consists of facilities for producing 5,000 tonnes of clinkers per day and a cement grinding station with grinding capacity of 2 million tonnes of cement per annum. Construction is expected to commence in October this year, whereas the equipment will be purchased within this year. The 5th production line is expected to be completed by the first quarter of 2010.

### **Saigon Trade Centre and Other investment properties**

During the period, the Saigon Trade Centre recorded some loss on foreign exchange when repatriating money to repay debts to the Hong Kong's parent company. Despite that adverse effect due to the market fluctuating factor, Saigon Trade Centre recorded an increase of 26% and 29% in its total revenue and profit after tax respectively, as compared to last year. The occupancy rate was approximately 96% as at 30 June 2008, representing a slight decrease as compared to last year. Yet, the rental rate for renewal or newly signed leasing contracts recorded a growth of 50% on average during the period.

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

### **Vietnam's Property Development**

The Group has been investing in Vietnam for over a decade and thus has a better understanding and vision on the Vietnam's market. Since the second half of last year, the Group has been keen on seeking for opportunities in property development in Hochiminh City. But then the economy was too hot and investment emotion was too frenzy. During that period, the Group did not blindly acquire any land in unreasonable price and terms, but rather retain cash and to wait for better investment opportunities. After detailed analysis, the Group believes that current moment is a good timing to purchase land for development.

Therefore, by the end of August, the Group has signed a cooperation agreement with a Vietnamese partner, the Trans Asia Viet Corporation, to jointly develop a piece of land with an area of approximately 192,000 square meters located in the Binh Chanh District of Hochiminh City. The land is for residential purpose and has a plot ratio of about 2.9 times. Total GFA to be built is about 558,000 square meters, whereas the land cost of GFA is about US\$145 per square meter. The Group owns 75% of the Project. However, the Group has a further option to acquire the remaining 25% held by the Vietnamese partner in original price within six months after the construction permit having been granted. Please refer to the Group's announcement dated 2 September 2008 for further details of the project.

On the other hand, the construction of the 110,000 square meters' residential project in the Binh Thanh District of Hochiminh City in which the Group owns 85% has been delayed to the first quarter of 2009, due to the delay in processing of the construction plan and permit.

As a result of the unfulfilling of conditions precedent in the Memorandum of cooperation with Hong Phuc Company dated 5 January 2007 and Saigon Industry Corporation dated 18 May 2007 respectively, both the memoranda lapsed automatically and projects as stated in each of the memorandum would not proceed. Yet, the Group may further discuss with Saigon Industry Corporation for possible cooperation in each of its property development project on hand. Please refer to the Group's announcement dated 31 July 2008 for further details.

### **Mongolia's Opportunity**

Mongolia has an abundant reserve of minerals resources, especially copper, coal and precious metals such as gold. As a result of huge global demand for the minerals and the Mongolian government's encouragement on the exploration and foreign participation in the minerals mining industry, the Mongolia's economy has been growing in a fast pace recently. Mongolia is expected to be one of the fastest growing economies in Asia in the next couple of years. The Group has conducted a feasibility study on investing in a cement plant in Mongolia since mid-2007, which however has been dropped as preferential treatments for the investment from the government has not been obtained.

Yet, after intensive study of the Mongolia's economy and its development, the Group found that there is a great potential in the property market in Mongolia. For a country with abundant natural mineral resources like Mongolia, when its economic growth is accelerating, there will be a part of local Mongolian become rich and they are very much eager to have a luxurious living environment. Mongolia is in shortage of supply of luxurious property, like villas or town house.

Seeing this, the Group has joined with a Mongolia's property developer to acquire a land with a site area of 580,000 square meters in Ulaanbaatar for a total consideration of US\$5 million. The Group owns 60% of the project. The land is about 15 km from city center, which is a natural site for building luxurious property with a 20 meter-wide stream running through it. With a plot ratio of 0.4 times, the total GFA is about 232,000 square meters. The plan is to build a total of 600 villas or town house and will be divided into 4 phases. 100 villas will be built for the first phase, of which 32 villas has been started constructing since May this year. It is expected that sales will be launched before the end of this year. The current market price of an apartment in Ulaanbaatar is ranging from US\$,1000 to US\$1,700 per square meter.

### **Traditional Chinese Medicine (TCM) Business**

During the period, the TCM business recorded a revenue of HK\$1,357,000. The operating loss of the TCM business before minority interest was HK\$2,360,000, which mainly comprised of expenditure spent on clinical trials and studies on Hepatitis B in China.

### **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\$0.04 per share to the shareholders.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group's cash and bank balances as at 30 June 2008 amounted to HK\$714,024,000 (as at 31 December 2007: HK\$852,108,000). The Group's total borrowings amounted to HK\$468,258,000 (as at 31 December 2007: HK\$303,448,000), of which HK\$149,952,000 was repayable within 1 year and HK\$318,306,000 repayable over 1 year. The percentage of the Group's borrowings denominated in HK\$, US\$ and Vietnamese Dong ("VND") were 9.9%, 43.5% and 46.6% respectively.

The gearing ratio, expressed as the percentage of long-term debt to equity, was 14.9% as at 30 June 2008 (as at 31 December 2007:8%).

### **Employees and Remuneration Policy**

As at 30 June 2008, the Group had approximately 1,460 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$19,581,000 for the period. The Group has granted some share options to several 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 2007.

### **Details of charges**

As at 30 June 2008, the Group has pledged certain fixed assets at a net book value of HK\$378,304,000 to secure banking facilities. In addition, bank deposits of HK\$59,144,000 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 or the hedging is not cost efficient to do so. The exchange rate of VND to USD recorded a devaluation of 4.9% as at 30 June 2008 when compared to the rate as at 31 December 2007. As a result, the Group suffered an exchange loss or provision for exchange loss of HK\$17,580,000 during the period, which is mainly attributed to the provision of exchange loss for the US\$ loans of the Vietnam's subsidiaries due to the parent company and banks. 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 2007.

### **Details of contingent liabilities**

As at 30 June 2008, the Group had no significant contingent liabilities (31 December 2007: 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 2008, together with the comparative figures for the corresponding period in 2007. 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 2008

	Notes	For the six months ended 30 June	
		2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
REVENUE	3	320,713	243,320
Cost of sales		(154,877)	(111,570)
Gross profit		165,836	131,750
Other income and gains	3	14,101	4,960
Selling and distribution costs		(23,221)	(19,698)
Administrative expenses		(59,864)	(40,627)
Other expenses		(1,342)	(2,725)
Finance costs	4	(9,283)	(6,153)
Share of profits and losses of jointly-controlled entities		(182)	(962)
PROFIT BEFORE TAX	5	86,045	66,545
Tax	6	(7,664)	(4,117)
PROFIT FOR THE PERIOD		78,381	62,428
ATTRIBUTABLE TO:			
Equity holders of the parent		79,516	62,944
Minority interests		(1,135)	(516)
		78,381	62,428
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY HOLDERS OF THE PARENT	7		
Basic		14.0 cents	12.1 cents
Diluted		14.0 cents	12.0 cents
DIVIDEND PER SHARE	8	4.0 cents	3.0 cents

**CONDENSED CONSOLIDATED BALANCE SHEET**

30 June 2008

	Notes	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>799,002</b>	688,552
Investment properties		<b>1,075,620</b>	1,116,165
Prepaid land lease payments		<b>16,671</b>	20,144
Goodwill		<b>15,842</b>	15,842
Interests in jointly-controlled entities		<b>3,815</b>	2,941
Available-for-sale investments		<b>944</b>	458
Deposits		<b>198,026</b>	93,270
Deferred tax assets		<b>47</b>	47
<b>Total non-current assets</b>		<b><u>2,109,967</u></b>	<u>1,937,419</u>
<b>CURRENT ASSETS</b>			
Inventories		<b>39,463</b>	13,917
Trade receivables	9	<b>49,798</b>	30,160
Prepayments, deposits and other receivables		<b>66,284</b>	43,139
Debt investments at fair value through profit or loss		<b>1,094</b>	1,094
Pledged deposits		<b>59,144</b>	8,109
Cash and cash equivalents		<b>654,880</b>	843,999
<b>Total current assets</b>		<b><u>870,663</u></b>	<u>940,418</u>
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>47,115</b>	24,236
Tax payable		<b>22,800</b>	24,914
Other payables and accruals		<b>93,686</b>	66,552
Due to directors		<b>407</b>	92
Due to a related company		<b>2,457</b>	5,061
Interest-bearing bank and other borrowings		<b>149,952</b>	122,023
<b>Total current liabilities</b>		<b><u>316,417</u></b>	<u>242,878</u>
<b>NET CURRENT ASSETS</b>		<b><u>554,246</u></b>	<u>697,540</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,664,213</u></b>	<u>2,634,959</u>



## CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

30 June 2008

	Notes	30 June 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,664,213</b>	2,634,959
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<b>318,306</b>	181,425
Rental deposits		<b>34,765</b>	31,184
Provisions		<b>4,152</b>	5,044
Deferred tax liabilities		<b>163,505</b>	161,591
Total non-current liabilities		<b>520,728</b>	379,244
Net assets		<b>2,143,485</b>	2,255,715
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital	11	<b>5,561</b>	5,735
Reserves		<b>2,120,484</b>	2,225,623
Proposed dividend		<b>22,128</b>	28,427
		<b>2,148,173</b>	2,259,785
Minority interests		<b>(4,688)</b>	(4,070)
Total equity		<b>2,143,485</b>	2,255,715

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2008

	Attributable to equity holders of the parent									
		Share		Share	Exchange		Proposed		Minority	Total
	Issued	premium	Contributed	option	fluctuation	Retained	dividend	Total	interests	equity
	capital	account	surplus	reserve	reserve	profits				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	5,735	973,732	618,094	4,073	(57,254)	686,978	28,427	2,259,785	(4,070)	2,255,715
2007 final dividend paid	—	—	—	—	—	—	(28,427)	(28,427)	—	(28,427)
Exchange realignment	—	—	—	—	(44,499)	—	—	(44,499)	—	(44,499)
Profit for the period	—	—	—	—	—	79,516	—	79,516	(1,135)	78,381
Equity-settled share option arrangements	—	—	—	2,384	—	—	—	2,384	—	2,384
Exercise of share options (note 11)	12	1,894	—	(180)	—	—	—	1,726	—	1,726
Cancellation of share (note 11)	(186)	(122,126)	—	—	—	—	—	(122,312)	—	(122,312)
Capital contribution from minority shareholders	—	—	—	—	—	—	—	—	517	517
Interim dividend (note 8)	—	—	(22,128)	—	—	—	22,128	—	—	—
At 30 June 2008	5,561	853,500*	595,966*	6,277*	(101,753)*	766,494*	22,128	2,148,173	(4,688)	2,143,485

\* These reserve accounts comprise the condensed consolidated reserves of approximately HK\$2,120,484,000 in the consolidated balance sheet as at 30 June 2008.

	Attributable to equity holders of the parent									
		Share		Share	Exchange		Proposed		Minority	Total
	Issued	premium	Contributed	option	fluctuation	Retained	dividend	Total	interests	equity
	capital	account	surplus	reserve	reserve	profits				
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	133	15,924	—	—	—	—	—	16,057	—	16,057
Allotment of share	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

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2008

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	75,580	39,934
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(278,246)	(68,869)
NET CASH INFLOW FROM FINANCING ACTIVITIES	13,547	772,734
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(189,119)	743,799
Cash and cash equivalents at beginning of period	843,999	90,162
CASH AND CASH EQUIVALENTS AT END OF PERIOD	654,880	833,961
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	92,943	50,189
Non-pledged time deposits with original maturity of less than three months when acquired	561,937	783,772
	654,880	833,961

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 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 2007, except in relation to the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”, which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period’s financial statements:

HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The adoption of 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 2008 and 2007.

	Cement products		Property investment		Traditional Chinese medicine products		Investment		Corporate		Others		Consolidated	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	(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	253,220	183,384	63,333	54,171	1,357	2,585	—	—	—	—	2,803	3,180	320,713	243,320
Other income and gains	3,598	1,379	5,396	993	—	—	—	—	—	—	—	244	8,994	2,616
	<u>256,818</u>	<u>184,763</u>	<u>68,729</u>	<u>55,164</u>	<u>1,357</u>	<u>2,585</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,803</u>	<u>3,424</u>	<u>329,707</u>	<u>245,936</u>
Segment results	<u>70,953</u>	<u>51,515</u>	<u>42,775</u>	<u>32,629</u>	<u>(2,360)</u>	<u>(1,727)</u>	<u>—</u>	<u>—</u>	<u>(19,584)</u>	<u>(10,554)</u>	<u>(1,381)</u>	<u>(548)</u>	<u>90,403</u>	<u>71,315</u>
Interest income													<u>5,107</u>	<u>2,345</u>
Finance costs													<u>(9,283)</u>	<u>(6,153)</u>
Share of profits and losses of jointly-controlled entities													<u>(182)</u>	<u>(962)</u>
Profit before tax													<u>86,045</u>	<u>66,545</u>
Tax													<u>(7,664)</u>	<u>(4,117)</u>
Profit for the period													<u>78,381</u>	<u>62,428</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Revenue</b>		
Sale of cement	253,220	183,384
Gross rental income	63,333	54,171
Sale of electronic products	812	498
Sale of traditional Chinese medicine products	1,357	2,585
Sale of plywood and other wood products	1,991	2,682
	<u>320,713</u>	<u>243,320</u>
<b>Other income and gains</b>		
Interest income	5,107	2,345
Foreign exchange differences, net	—	966
Gain on disposal of scrap materials	3,598	1,128
Others	5,396	521
	<u>14,101</u>	<u>4,960</u>

## 4. Finance Costs

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	9,253	6,138
Finance leases	30	15
	<u>9,283</u>	<u>6,153</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 5. Profit Before Tax

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Cost of inventories sold	150,961	111,106
Depreciation	16,626	17,001

## 6. Tax

	For the six months ended 30 June	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
Current — Overseas	5,750	2,160
Deferred	1,914	1,957
Total tax charge for the period	7,664	4,117

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 (2007: 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	
	2008 (Unaudited) HK\$'000	2007 (Unaudited) HK\$'000
<b>Earnings</b>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	79,516	62,944

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 7. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Continued)

	Number of shares	
	For the six months ended 30 June	
	2008 (Unaudited)	2007 (Unaudited)
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	567,487,703	518,818,880
Effect of dilution — weighted average number of ordinary shares: Share options	2,227,451	4,453,295
	<u>569,715,154</u>	<u>523,272,175</u>

## 8. Interim Dividend

The Board has resolved to declare an interim dividend of HK 4 cents (2007: HK 3 cents) per ordinary share in issue in respect of the six months ended 30 June 2008 payable on or before 16 October 2008 to shareholders whose names are on the Registers of Members on 3 October 2008.

## 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 2008 (Unaudited) HK\$'000	31 December 2007 (Audited) HK\$'000
0 — 30 days	23,388	21,006
31 — 60 days	10,432	1,954
61 — 90 days	2,219	1,270
91 — 120 days	1,620	2,108
Over 120 days	12,139	3,822
	<u>49,798</u>	<u>30,160</u>

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 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 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
0 — 30 days	<b>30,529</b>	15,097
31 — 60 days	<b>9,148</b>	499
61 — 90 days	<b>1,007</b>	64
91 — 120 days	<b>2,144</b>	293
Over 120 days	<b>4,287</b>	8,283
	<b>47,115</b>	24,236

## 11. Share Capital

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Authorised: 760,000,000 ordinary shares of HK\$0.01 each	<b>7,600</b>	7,600
Issued and fully paid: 556,139,418 (2007: 573,485,418) ordinary shares of HK\$0.01 each	<b>5,561</b>	5,735

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 2007 and 1 January 2008	573,485,418	5,735	973,732	979,467
Share options exercised	1,250,000	12	1,894	1,906
Shares cancelled	<u>(18,596,000)</u>	<u>(186)</u>	<u>(122,126)</u>	<u>(122,312)</u>
At 30 June 2008	<u>556,139,418</u>	<u>5,561</u>	<u>853,500</u>	<u>859,061</u>



## 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 five 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 30% 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 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; or (iii) the nominal value of a share of the Company.

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

## 12. Share Option Scheme (Continued)

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

Name or category of participant	At 1 January 2008	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period	At 30 June 2008	Date of grant of share options*	Exercise period of share options	Exercise price of share options**	Price of the Company's shares***		
										At grant date of options	Immediately before the exercise date	At exercise date of options
									HK\$	HK\$	HK\$	HK\$
<b>Directors</b>												
Cheng Cheung	1,000,000	—	(1,000,000)	—	—	—	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	6.47	6.46
<b>Employees</b>												
In aggregate	1,000,000	—	(50,000)	—	—	950,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	6.05-7.81	6.16-7.55
	670,000	—	(200,000)	—	—	470,000	25-10-2006	25-10-2006 to 18-5-2011	3.18	3.18	9.38	9.26
	2,350,000	—	—	—	—	2,350,000	1-2-2007	1-2-2008 to 18-5-2011	5.04	5.04	—	—
	1,650,000	—	—	—	—	1,650,000	25-9-2007	25-9-2008 to 18-5-2011	10.06	10.06	—	—
	<u>5,670,000</u>	<u>—</u>	<u>(250,000)</u>	<u>—</u>	<u>—</u>	<u>5,420,000</u>						
	<u>6,670,000</u>	<u>—</u>	<u>(1,250,000)</u>	<u>—</u>	<u>—</u>	<u>5,420,000</u>						

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 and subject to the exercise conditions of after certain years of employment ranging from one to three years..
- \*\* 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 2008

## 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 2008, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Within one year	<b>102,557</b>	89,446
In the second to fifth years, inclusive	<b>63,631</b>	41,452
	<b>166,188</b>	130,898

### (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-six years.

At 30 June 2008, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Within one year	<b>673</b>	752
In the second to fifth years, inclusive	<b>2,603</b>	1,918
After five years	<b>20,946</b>	22,136
	<b>24,222</b>	24,806

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2008

## 14. Commitments

In addition to the operating lease arrangements detailed in note 13(b) above, the Group had the following capital commitments in respect of property, plant and equipment at the balance sheet date:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Contracted, but not provided for	<u>328,996</u>	<u>308,655</u>

The Group had the following share of commitments on capital contribution to proposed jointly-controlled entities at the balance sheet date:

	<b>30 June 2008 (Unaudited) HK\$'000</b>	31 December 2007 (Audited) HK\$'000
Authorised, but not contracted for	<u>163,815</u>	<u>163,815</u>

## 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\$407,000 (31 December 2007: HK\$92,000) and HK\$2,457,000 (31 December 2007: HK\$5,061,000), 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>2008 (Unaudited) HK\$'000</b>	2007 (Unaudited) HK\$'000
Short-term employee benefits	<u>3,114</u>	3,114
Post-employment benefits	<u>18</u>	18
Total compensation paid to key management personnel	<u>3,132</u>	3,132

## 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 17 September 2008.

### INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 4 cents (2007: HK 3 cents) per ordinary share in issue in respect of the six months ended 30 June 2008 payable on or before 16 October 2008 to shareholders whose names are on the Registers of Members on 3 October 2008.

### CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 1 October 2008 to Friday, 3 October 2008, 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, 30 September 2008. Cheques for interim dividends will be dispatched on or before 16 October 2008.

### DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2008, 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 Directors	Notes	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Luk King Tin	(a)	189,552,399	—	62,684,958	252,237,357	45.60
Cheng Cheung	(b)	19,028,800	—	36,912,027	55,940,827	10.11
Luk Yan	(c)	3,070,800	174,000	—	3,244,800	0.59
Luk Fung		3,129,600	—	—	3,129,600	0.57
Fan Chiu Tat		1,500,000	—	—	1,500,000	0.27
		<u>216,281,599</u>	<u>174,000</u>	<u>99,596,985</u>	<u>316,052,584</u>	<u>57.14</u>

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (Continued)

### Long positions in shares of an associated corporation

Name of Directors	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 King Tin and Luk Fung	(d)	Vigconic International (Holdings) Limited ("VI")	Company's subsidiary	2,462,402	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 2,462,402 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 2008, 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 2008, 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:

<b>Name</b>	<b>Capacity and nature of interest</b>	<b>Number of shares held</b>	<b>Percentage of the Company's issued share capital</b>
KT (Holdings) Limited	Directly beneficially owned	62,684,958	11.33
CC (Holdings) Limited	Directly beneficially owned	36,912,027	6.67

Save as disclosed above, as at 30 June 2008, 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

The Company has purchased 20,966,000 shares of its own ordinary shares during the period on The Stock Exchange of Hong Kong Limited. Details are as follows:

Month of Trading	No. of Shares Repurchased	Highest Price Paid (HK\$)	Lowest Price Paid (HK\$)	Aggregate consideration (HK\$)
January 2008	3,126,000	8.30	7.19	23,379,260
February 2008	1,482,000	7.88	7.52	11,305,960
March 2008	580,000	7.36	7.08	4,185,960
April 2008	2,382,000	7.37	6.46	16,927,320
May 2008	3,140,000	7.04	6.11	20,377,920
June 2008	10,256,000	5.92	3.68	48,103,360
	<u>20,966,000</u>			<u>124,279,780</u>

## 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 2008 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, 17 September 2008