

陸氏



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

Stock Code : 0366

Interim Report 2009

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECTS

As a result of the global financial crisis, Vietnam's economy was unavoidably affected in the first half of 2009. As compared to last year, Vietnam's export shrank more than 30%, whereas the GNP recorded a growth rate of only 3.9% for the first half of 2009 (first half of 2008: 6.5%). However, Vietnam's economy has seen picking up starting from the 2Q of 2009 following the government's economic stimulus measures and together with an improvement of the global economy. The strong recovering was particular notable since the second half of 2009.

The GNP growth rate reached 4.5% for the 2Q of 2009 alone, whereas the construction sector recorded an even robust growth of 16% attributable to the government's stimulus package. The Group's cement factory was thus benefited. Sales of cement for the 2Q improved significantly which has largely made up for the weakness in the 1Q of 2009.

On the other hand, rental situation of the Group's Saigon Trade Centre suffered a relatively harder hit, mainly attributable to a substantial drop of over 70% of the newly increased foreign direct investments during the period.

For the six-month period ended 30 June 2009, the Group recorded a turnover of HK\$311,215,000, representing a decrease of 3% as compared to HK\$320,713,000 for the corresponding period of last year. Main sources of the Group's turnover came from its cement business and property investment business. The cement business recorded a turnover of HK\$241,650,000, representing a decrease of 6% as compared to that of last year. While the property investment business recorded a turnover of HK\$74,596,000, representing an increase of 8.5% as compared to that of last year.

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the first half of 2009 was HK\$88,579,000, representing an increase of 11.4% as compared to HK\$79,516,000 for the same period in 2008. Earnings per share was HK17.3 cents, representing an increase of 23.6% when compared to HK 14 cents for the first half of last year.

CEMENT BUSINESS

For the first half of the year, the Group's cement plant recorded total sales of 730,000 tonnes of cement, representing a slight increase as compared to the same period of last year.

Under the impact of the global financial crisis, Vietnam's domestic demand for construction materials such as cement slumped in the 1Q of 2009. Yet, after the government increased investments in infrastructure projects, including accelerating highways projects between suburban areas and cities, South-to-North Highway construction, and etc., both the construction sector and the demand for construction materials rebound strongly since the 2Q of 2009. The Group's cement plant was benefited, notably from its achieving of 350,000 tonnes sales of cement in aggregate for July and August.

The grinding plant installation in Ninh Thuan was not as smooth as expected, resulted in a delay of commencement of the plant to September, two months behind schedule. It therefore has affected sales and production for this year to a certain extent. The cement sales target has to be tuned down to around 1.7 million tonnes for the full year of 2009. Nonetheless, since cost of coal and electricity and sales price of cement were stable, the Group is optimistic to the cement's production, sales and profits for the second half of 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

For the cost saving measures, the Group set up several joint venture companies since late last year, aimed at operating its limestone mine and handling part of its cement transportation. In addition, the Group started to produce cement bags through its own plant. The JVC of limestone mining was doing well in lowering the cost of limestone. Whereas the cement bags plant had yet to fulfill the quantity of cement bags required by the cement plant. For the JVC of transportation, it could so far handle only very limited transportation of cement at its early stage of operation and thus cost saving was not yet significant.

SAIGON TRADE CENTRE AND OTHER INVESTMENT PROPERTIES

The rental situation of Saigon Trade Centre was far worse than expected, attributable to the financial crisis and the substantial decline of newly increased foreign direct investments in Vietnam during the period. The occupancy rate fell to 78% as at 30 June 2009 (31 December 2008: 90%). Yet, thanks to the continuing remarkable growth of the rental rate for renewal and new leasing contracts, the total rental revenue of Saigon Trade Centre still posted an increase of 10% as compared to the same period of last year.

Seeing the recovering of the economy since second half of 2009, and with an increase of foreign investors in Vietnam, the leasing rate of the Saigon Trade Centre is expected to rise as at end of 2009.

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

PROPERTY DEVELOPMENT

Land and property markets in Vietnam had come to stagnant during the first half of 2009. While situation started to improve since turning to the second half of the year, with both land and property prices were seen to have been picking up.

Property development market in Vietnam was still green and the market was not yet fully opened. It was still rather difficult and slow to obtain land for development or to get all valid licenses to start construction for a project. However, changes were notable for the government's attempts to open up the market. Currently, overseas Vietnamese and foreigners working or investing in Vietnam have already been allowed to buy and own properties in Vietnam. As such, the Group is optimistic to the development of the Vietnam's property market.

The Group's property development project in Binh Thanh District of Hochiminh City was still processing for the construction license. Hopefully, the first stage of development could be commenced by the end of this year. Apart from the project in the Binh Chanh District of Hochiminh City signed in August last year, the Group has been actively seeking for other opportunities of property development projects in Hochiminh City of Vietnam.

The development pace of Group's property project in Ulaanbaatar, Mongolia was slowed down and would be adjusted according to the market conditions.

TRADITIONAL CHINESE MEDICINE (TCM) BUSINESS

During the period, the TCM business recorded an operating loss before minority interest of HK\$1,738,000, representing a decrease of 26% as compared to the operating loss of HK\$2,360,000 for the same period of last year.

DIVIDEND

As the Group has achieved profits growth and stable cash inflow during the period, the board of directors resolved to declare an interim dividend of HK4.5 cents per share to the shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances as at 30 June 2009 amounted to HK\$370,434,000 (as at 31 December 2008: HK\$533,760,000). The Group's total borrowings amounted to HK\$466,880,000 (as at 31 December 2008: HK\$477,749,000), of which HK\$215,530,000 was repayable within 1 year and HK\$251,350,000 repayable over 1 year. The percentage of the Group's borrowings denominated in HK\$, US\$ and Vietnamese Dong ("VND") were 13%, 47% and 40% respectively.

The gearing ratio, expressed as the percentage of long-term debt to equity, was 11.3% as at 30 June 2009 (as at 31 December 2008: 13.4%).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2009, the Group had approximately 1,410 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$18,152,000 for the period. 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 2008.

DETAILS OF CHARGES

As at 30 June 2009, the Group has pledged certain fixed assets at a net book value of HK\$382,205,000 to secure banking facilities. In addition, bank deposits of HK\$65,882,000 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 foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The exchange rate of VND to USD recorded a devaluation of 1.8% as at 30 June 2009 when compared to the rate as at 31 December 2008. The Group suffered an exchange loss of HK\$4,226,000 during the period, including in which a provision of HK\$2,178,000 for the exchange loss of the Swap contracts described below. The Company had several outstanding interest-rate Swap contracts for an aggregate value of US\$8,000,000 as at 30 June 2009. The purpose of the Swap contracts is to hedge for the interest difference from a higher interest rate of VND in comparing with a lower interest rate of USD. The interests gained from the Swap contracts during the period were HK\$3,302,000. 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 2008.

DETAILS OF CONTINGENT LIABILITIES

As at 30 June 2009, the Group had no significant contingent liabilities (31 December 2008: Nil).

INTERIM FINANCIAL STATEMENTS

INTERIM RESULTS

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 2009, together with the comparative figures for the corresponding period in 2008. 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 2009

	Notes	For the six months ended 30 June	
		2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
REVENUE	3	311,215	320,713
Cost of sales		(146,387)	(154,877)
Gross profit		164,828	165,836
Other income and gains	3	13,400	14,101
Selling and distribution costs		(18,229)	(23,221)
Administrative expenses		(47,598)	(59,864)
Other expenses		(983)	(1,342)
Finance costs	4	(7,637)	(9,283)
Share of profits and losses of jointly-controlled entities		50	(182)
Share of profits and losses of associates		(1,944)	-
PROFIT BEFORE TAX	5	101,887	86,045
Tax	6	(14,232)	(7,664)
PROFIT FOR THE PERIOD		87,655	78,381
ATTRIBUTABLE TO:			
Equity holders of the parent		88,579	79,516
Minority interests		(924)	(1,135)
		87,655	78,381
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY HOLDERS OF THE PARENT	7		
Basic		17.3 cents	14.0 cents
Diluted		17.3 cents	14.0 cents
DIVIDEND PER SHARE	8	4.5 cents	4.0 cents

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	87,655	78,381
OTHER COMPREHENSIVE LOSS:		
Exchange realignment	(30,901)	(44,499)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(30,901)	(44,499)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,754	33,882
Attributable to:		
Equity holders of the parent	57,678	35,017
Minority interests	(924)	(1,135)
	56,754	33,882

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2009

Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
NON-CURRENT ASSETS		
Property, plant and equipment	1,018,008	939,474
Investment properties	1,273,257	1,290,968
Prepaid land lease payments	14,148	16,331
Goodwill	15,842	15,842
Interests in jointly-controlled entities	3,001	2,975
Interests in associates	91,966	129,509
Available-for-sale investments	527	416
Deposit	157,006	77,276
Total non-current assets	2,573,755	2,472,791
CURRENT ASSETS		
Inventories	52,983	63,687
Trade receivables	62,957	28,826
Prepayments, deposits and other receivables	36,304	43,736
Debt investments at fair value through profit or loss	1,094	1,094
Derivative financial instruments	244	244
Pledged deposits	65,882	65,660
Cash and cash equivalents	304,552	468,100
Total current assets	524,016	671,347
CURRENT LIABILITIES		
Trade payables	48,506	70,172
Tax payable	26,506	23,990
Other payables and accruals	49,069	51,899
Due to directors	81	30,802
Due to a related company	2,350	1,852
Interest-bearing bank and other borrowings	215,530	182,548
Total current liabilities	342,042	361,263
NET CURRENT ASSETS	181,974	310,084
TOTAL ASSETS LESS CURRENT LIABILITIES	2,755,729	2,782,875

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 June 2009

Notes	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,755,729	2,782,875
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	251,350	295,201
Rental deposits	33,460	36,436
Provisions	4,837	5,056
Deferred tax liabilities	243,729	242,781
Total non-current liabilities	533,376	579,474
Net assets	2,222,353	2,203,401
EQUITY		
Equity attributable to equity holders of the parent		
Issued capital	11 5,114	5,150
Reserves	2,200,465	2,172,882
Proposed dividend	23,013	30,684
Minority interests	2,228,592 (6,239)	2,208,716 (5,315)
Total equity	2,222,353	2,203,401

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2009

Notes	Attributable to equity holders of the parent										
	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Proposed dividend	Total	Minority interests	Total equity
	(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
At 1 January 2009	5,150	757,648	565,691	8,299	598	(158,118)	998,764	30,684	2,208,716	(5,315)	2,203,401
2008 final dividend paid	-	-	-	-	-	-	-	(30,684)	(30,684)	-	(30,684)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(30,901)	88,579	-	57,678	(924)	56,754
Exercise of share options	2	267	-	(27)	-	-	-	-	242	-	242
Employee share option scheme	-	-	-	967	-	-	-	-	967	-	967
Repurchase of shares	(38)	(8,289)	-	-	38	-	(38)	-	(8,327)	-	(8,327)
Interim dividend	-	-	(23,013)	-	-	-	-	23,013	-	-	-
At 30 June 2009	5,114	749,626*	542,678*	9,239*	636*	(189,019)*	1,087,305*	23,013	2,228,592	(6,239)	2,222,353

* These reserve accounts comprise the consolidated reserves of approximately HK\$2,200,465,000 in the consolidated statement of financial position as at 30 June 2009.

Notes	Attributable to equity holders of the parent										
	Issued share capital	Share premium account	Contributed surplus	Share option reserve	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Proposed final dividend	Total	Minority interests	Total equity
	(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
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)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(44,499)	79,516	-	35,017	(1,135)	33,882
Equity-settled share option arrangements	-	-	-	2,384	-	-	-	-	2,384	-	2,384
Exercise of share options	12	1,894	-	(180)	-	-	-	-	1,726	-	1,726
Cancellation of share	(186)	(122,126)	-	-	-	-	-	-	(122,312)	-	(122,312)
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	517	517
Interim dividend	-	-	(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

INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2009

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	55,425	75,580
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(138,498)	(278,246)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	(80,475)	13,547
NET DECREASE IN CASH AND CASH EQUIVALENTS	(163,548)	(189,119)
Cash and cash equivalents at beginning of period	468,100	843,999
CASH AND CASH EQUIVALENTS AT END OF PERIOD	304,552	654,880
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	296,041	92,943
Non-pledged time deposits with original maturity of less than three months when acquired	8,511	561,937
	304,552	654,880

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Listing Rules. These unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2008.

The accounting policies and basis of preparation adopted in the preparation of these unaudited condensed consolidated interim financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2008 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs, and Interpretations) issued by HKICPA, except that the Group has in the current period applied, for the first time the following new and revised HKFRSs:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendments	Amendments to HKFRS 2 Share-based Payment – Vesting Conditions and Cancellations
HKFRS 7 Amendments	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
HK(IFRIC) – Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation

Apart from the above, the Group has also adopted Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

* Improvements to HKFRSs contain amendments to HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

The adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited condensed consolidated interim financial statements and there have been no significant changes to the accounting policies applied in these unaudited condensed consolidated interim financial statements, except for the followings:

(A) HKFRS 8 OPERATING SEGMENTS

HKFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The adoption of HKFRS 8 did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments as previously identified under HKAS 14 Segment Reporting.

(B) HKAS 1 (REVISED) PRESENTATION OF FINANCIAL STATEMENTS

HKAS 1 (Revised) has introduced a number of terminology changes (including revised titles for the financial statements) and has resulted in a number of changes in presentation and disclosure. HKAS 1 (Revised) also separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present in two linked statements.

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

HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards ¹
HKFRS 2 Amendments	Amendments to HKFRS2 Share-based Payment – Group Cash-settled Share-based Payment Transactions ³
HKFRS 3 (Revised)	Business Combinations ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ¹
HKAS 39 Amendment	Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items ¹
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners ¹
HK(IFRIC) – Int 18	Transfer of Assets from Customers ²

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

² Effective for transfer of assets from customers received on or after 1 July 2009.

³ Effective for annual periods beginning on or after 1 January 2010.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

In addition, improvements to HKFRSs were issued in May 2009 by HKICPA which contains amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, Appendices to HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for annual periods beginning on or after 1 July 2009 and no transitional provisions for amendment to Appendix to HKAS 18 has been specified, other amendments are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 2009 and 2008.

	Cement products		Property investment		Traditional Chinese medicine products		Corporate		Others		Consolidated	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	(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	237,804	253,220	69,636	63,333	667	1,357	-	-	3,108	2,803	311,215	320,713
Other income and gains	3,846	3,598	4,960	5,396	9	-	-	-	633	-	9,448	8,994
	241,650	256,818	74,596	68,729	676	1,357	-	-	3,741	2,803	320,663	329,707
Segment results	74,298	70,953	58,976	42,775	(1,738)	(2,360)	(16,885)	(19,584)	(7,185)	(1,381)	107,466	90,403
Interest income											3,952	5,107
Finance costs											(7,637)	(9,283)
Share of profits and losses of jointly-controlled entities											50	(182)
Share of profits and losses of associates											(1,944)	-
Profit before tax											101,887	86,045
Tax											(14,232)	(7,664)
Profit for the period											87,655	78,381

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Revenue:		
Sale of cement	237,804	253,220
Gross rental income	69,636	63,333
Sale of electronic products	1,918	812
Sale of traditional Chinese medicine products	667	1,357
Sale of plywood and other wood products	1,190	1,991
	311,215	320,713
Other income and gains:		
Interest income	3,952	5,107
Gain on disposal of scrap materials	1,046	3,598
Others	8,402	5,396
	13,400	14,101

4. FINANCE COSTS

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	7,602	9,253
Finance leases	35	30
	7,637	9,283

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Cost of inventories sold	145,197	150,961
Depreciation	21,728	16,626

6. TAX

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Current – Overseas	13,283	5,750
Deferred	949	1,914
Total tax charge for the period	14,232	7,664

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 (2008: 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	88,579	79,516

	Number of shares For the six months ended 30 June	
	2009 (Unaudited)	2008 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	512,170,136	567,487,703
Effect of dilution – weighted average number of ordinary shares: Share options	478,537	2,227,451
	512,648,673	569,715,154

8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 4.5 cents (2008: HK 4 cents) per ordinary share in issue in respect of the six months ended 30 June 2009 payable on or before 15 October 2009 to shareholders whose names are on the Registers of Members on 5 October 2009.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

9. TRADE RECEIVABLES

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.

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 balance sheet date, based on the invoice date, and net of impairment, is as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 30 days	49,442	14,844
31 – 60 days	6,755	4,715
61 – 90 days	2,455	2,061
91 – 120 days	1,007	1,188
Over 120 days	3,298	6,018
	62,957	28,826

10. TRADE PAYABLES

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
0 – 30 days	25,075	17,802
31 – 60 days	6,641	15,668
61 – 90 days	2,494	16,368
91 – 120 days	939	7,161
Over 120 days	13,357	13,173
	48,506	70,172

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

11. SHARE CAPITAL

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Authorised: 760,000,000 ordinary shares of HK\$0.01 each	7,600	7,600
Issued and fully paid: 511,393,418 (2008: 514,953,418) ordinary shares of HK\$0.01 each	5,114	5,150

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

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 31 December 2008 and 1 January 2009	514,953,418	5,150	757,648	762,798
Repurchase of shares	(3,760,000)	(38)	(8,289)	(8,327)
Share options exercised	200,000	2	267	269
At 30 June 2009	511,393,418	5,114	749,626	754,740

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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, and commences after a vesting period of 1 to 3 years 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.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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					At 30 June 2009	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares***		
	At 1 January 2009	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period					Immediately		
										At grant date of options HK\$	before the exercise date HK\$	At exercise date of options HK\$
Employees												
In aggregate	950,000	-	(200,000)	-	-	750,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	2.21	2.26
	470,000	-	-	-	-	470,000	25-10-2006	25-10-2006 to 18-5-2011	3.18	3.18	-	-
	2,350,000	-	-	-	-	2,350,000	1-2-2007	1-2-2007 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	-	-
	100,000	-	-	-	-	100,000	5-8-2008	5-8-2008 to 18-5-2011	4.34	4.16	-	-
	5,520,000	-	(200,000)	-	-	5,320,000						

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 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 weighted average closing price of the Company's shares immediately before the exercise dates of share options was HK\$2.21.

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

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 six 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 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	108,240	123,663
In the second to fifth years, inclusive	74,326	68,352
After five years	4,997	–
	187,563	192,015

(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 1 to 35 years.

At 30 June 2009, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Within one year	723	1,048
In the second to fifth years, inclusive	2,807	2,598
After five years	20,913	19,294
	24,443	22,940

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

30 June 2009

14. COMMITMENTS

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

	30 June 2009 (Unaudited) HK\$'000	31 December 2008 (Audited) HK\$'000
Contracted, but not provided for	390,049	500,595

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\$81,000 (31 December 2008: HK\$30,802,000) and HK\$2,350,000 (31 December 2008: HK\$1,852,000), 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

	For the six months ended 30 June	
	2009 (Unaudited) HK\$'000	2008 (Unaudited) HK\$'000
Short-term employee benefits	3,924	3,114
Post-employment benefits	18	18
Total compensation paid to key management personnel	3,942	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 15 September 2009.

OTHER INFORMATION

INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK4.5 cents (2008: HK4 cents) per ordinary share in issue in respect of the six months ended 30 June 2009 payable on or before 15 October 2009 to shareholders whose names are on the Registers of Members on 5 October 2009.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Thursday, 1 October 2009 to Monday, 5 October 2009, 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, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Wednesday, 30 September 2009. Cheques for interim dividends will be dispatched on or before 15 October 2009.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2009, 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			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	49.32
Cheng Cheung	(b)	19,276,800	–	36,912,027	56,188,827	10.99
Luk Yan	(c)	3,070,800	174,000	–	3,244,800	0.63
Luk Fung		3,129,600	–	–	3,129,600	0.61
Fan Chiu Tat, Martin		1,500,000	–	–	1,500,000	0.29
		216,529,599	174,000	99,596,985	316,300,584	61.84

OTHER INFORMATION

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 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 balances sheet date.

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 2009, 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

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.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 30 June 2009, 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	12.26
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.22

Save as disclosed above, as at 30 June 2009, 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

During the period, the Company purchased certain of its shares on the Hong Kong Stock Exchange and these shares were subsequently cancelled by the Company. The summary details of those transactions are as follows:

Month of trading	No. of Shares repurchased	Highest price paid (HK\$)	Lowest price paid (HK\$)	Aggregate consideration (HK\$)
February 2009	3,760,000	2.30	2.07	8,276,000

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.

OTHER INFORMATION

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 Mode 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 2009 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

15 September 2009