陸氏

陸氏集團(越南控股)有限公司

LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366

Annual Report 2010

Contents

Corporate Information

EXECUTIVE DIRECTORS

Luk King Tin
(Chairman and Chief Executive Officer)
Cheng Cheung
Luk Yan
Luk Fung
Fan Chiu Tat, Martin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Liu Li Yuan
Liang Fang
Tam Kan Wing

COMPANY SECRETARY

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
ICBC (Asia) Limited
Bank of China (Hong Kong) Limited

AUDITORS

Ernst & Young

PRINCIPAL SHARE REGISTRAR

HSBC Securities Services (Bermuda) Limited
6 Front Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR

Tricor Tengis Limited
26th Floor
Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL PLACE OF BUSINESS

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

Chairman's Statement

BUSINESS REVIEW AND PROSPECTS

In 2010, the overall economic performance of Vietnam was seen improving, with its GDP growth rate achieving 6.8%. Yet, its attractiveness to foreign investment capital was far less satisfactory than past years and some other South East Asian countries. Vietnam recorded an inflow of US$18.6 billion Foreign Direct Investment for the year of 2010, representing a drop of 20% on a year-on-year basis. On the other hand, the surging inflationary pressure posed a serious threat to the recovering economy. The inflation rate reached 11.8% for December of 2010 and was on a rising trend. Banks' deposit rate and lending rate reached the records highs, and resulted in severely impact on the economic activities, especially infrastructure and construction related projects. Moreover, the trade deficit of Vietnam climbed to US$12.4 billion in 2010, causing dramatic drop of foreign exchange reserve and thus leading to the government's decisions in devaluating the Vietnamese Dong ("VND") for about 5.5% in 2010. Whereas, the VND has been further devaluated at the beginning of 2011 and up to date, the exchange rate in terms of USD has gone further down 9.3%, according to the exchange rate of the State Bank of Vietnam.

For the year ended 31 December 2010, the Group recorded a turnover of HK$838,441,000, representing an increase of 16.2% as compared to HK$721,833,000 of last year. The Group's major turnover was contributed by cement business and property investment business. Turnover from the cement business was HK$702,428,000 representing a year-on-year increase of 23.9%, whereas turnover from the property investment was HK$126,510,000, representing a decrease of 13.3% as compared to 2009.

The consolidated net profit attributable to shareholders was HK$45,377,000 for the year, representing a decrease of approximately 57.6% when compared to HK$107,055,000 of 2009. Earnings per share for 2010 was HK 8.9 cents, representing a decrease of 57.4% when compared to HK 20.9 cents of last year.

CEMENT BUSINESS

For 2010, the Group achieved total sales of 2,169,000 tons of cement and clinkers, representing a growth of 28.1% as compared to 2009, whereas the sales amount was HK$702,428,000, representing a year-on-year growth of 23.9%. However, the after-tax contribution to the parent company turned into a loss of HK$24,814,000 from that of a profit of HK$47,773,000 in 2009.

As a result of the severe inflation in Vietnam during the year, most of the production costs increased in various extents, whereas the increase in cement selling price was unable to catch up with the costs increased. Even worse, the cement selling price in terms of USD suffered a decrease due to the VND devaluation. Among the costs of production, coal price and cement bags topped the list of costs increase with about 30% increase for producing per ton of cement. In order to combat inflation, the government increased banks' lending rate substantially to as high as 16-18% per annum for VND borrowings. The surging lending rate has thus increased the burden of interest expenses of the cement plant on its local borrowings. Together with the impact of the VND devaluation, the cement plant resulted in an operating loss for the year 2010.

Chairman's Statement

On the market side, the surging interest rate also caused the pace of development for most of the infrastructure projects to be slower or to a halt. Thus, the demand of cement in the market was less than expectation during the year. Whereas the supply of cement increased during the year as a result of the commencement of some newly setup cement plants in Vietnam. Furthermore, due to a shortage of electricity supply in around mid-year of 2010, the Group's cement plant had to stop its production periodically, which therefore resulted in a loss of an estimating 100,000 tons of cement produced for the year.

Foreseeing 2011, since some of the new cement plant projects have been suspended and some of the less efficient cement plants have also been put aside from production, the supply growth in Vietnam will be slowed down for 2011. Whereas on the demand side, as Vietnam is still a country which need large scale development of its road system, housing and infrastructure projects, the demand of cement is expected to grow continuously and increasingly in the forthcoming years.

As the Vietnam's government has further devaluated VND in the beginning of 2011, and up to date the VND rate to USD has been devaluated for about 9.3% (according to rates quoted by the State Bank of Vietnam), it shall impact to the cement plant's profit contribution to the Group for the first half of 2011. Since VND is not a freely convertible currency and that the deviation of interest rates between VND and USD is as high as 12-13%, hedging instruments are either very limited in the market, or the cost of adopting such hedging instruments is exceptionally high and ineffective. As a result, the Group has not adopted any hedging instrument to hedge against its exchange rate risk. The Group's cement plant has increased the selling price of cement for about 15% since the beginning of 2011, which can cover part of the increase in costs as well as to set off part of the effect of devaluation.

Although still being affected by uncertain factors such as the inflation and the VND devaluation, the management is cautiously optimistic to the development of the Group's cement business for the year of 2011.

SAIGON TRADE CENTRE AND PROPERTY INVESTMENT

Being affected by negative factors such as climbing inflation rate, soaring trade deficit and substantial drop of foreign exchange reserve, the Vietnam's long-term foreign currency sovereign credit rating was lowered to BB- from BB by Standard & Poor's during 2010. In addition, the devaluation of VND by the government also contributed to the uncertain factors to the Vietnam's economy. Consequently, Vietnam recorded a 20% drop of foreign direct investments for the full year of 2010 as compared to last year. Besides, foreign investors already investing in Vietnam were also taking a more precautionary attitude in actualizing their investments in Vietnam.

Under the circumstances, the leasing situation of the Saigon Trade Centre was thus being affected. In addition, there was also new supply of office spaces coming into the market during the year. As at 31 December 2010, the occupancy rate of the Saigon Trade Centre was 76%, being remained the same as last year. Yet, the average rental rate continued to decline during the year, resulting in a 12% drop of the total rental income as compared to last year. Besides, the tax preferential period for the Saigon Trade Centre was ended. Starting from 2010, the profit tax rate of the Saigon Trade Centre has increased from 12.5% to 25%, resulting in a decrease in net profit after tax contributing to the Group.

Chairman's Statement

Looking forward to 2011, it is believed that the foreign direct investments shall grow in a better rate than 2010, leading to an increase in demand for office spaces. On the other hand, the supply of office spaces is also increasing in the market. It is expected that the occupancy rate of the Saigon Trade Centre shall grow modestly whereas rental rate shall remain steady for 2011.

The rental income of the Group's other investment properties located in Hong Kong and the PRC have been stable during the year.

PROPERTY DEVELOPMENT

As the interest rate ran high during the year, with the mortgage interest rate reaching 20% per annum, the property market in Vietnam turned stagnant. Property transactions were minimal and property prices also declined. But the extent of decline was not much, thanks to the high inflation rate and VND devaluation. The market for developing of new property also came into stagnant. In view of the market situation and the complicated procedural applications, the Group's project in Binh Thanh District, Hochiminh City has been progressing in a slow pace.

The Group's another joint venture project in Binh Chanh District, Hochiminh City was not running smooth as well. The plot ratio of the project undertaken by the Vietnamese partner in according to the contract has not been granted by the relevant authorities in Vietnam. Despite efforts in resolving the issue, no resolution has been achieved yet, which therefore has also caused the delay in the pre-determined schedule of the project. The Group strives to resolve the issue with the Vietnamese partner within this year.

Benefited from the soaring prices of natural resources, Mongolia' economy and investment atmosphere obviously improved. The property market has seen recovering though in a slow pace. The Group will adjust the development and selling strategy of its property project in Mongolia in according to the market conditions.

TRADITIONAL CHINESE MEDICINE ("TCM") BUSINESS

The Group's TCM business recorded a turnover of HK$1,618,000 and an operating loss before deducting non-controlling interest of HK$2,559,000 for the year ended 31 December 2010 (2009: loss of HK$5,494,000).

DIVIDEND

The board of directors recommended to distribute a final dividend of HK 2 cents per share to the shareholders and together with the interim dividend of HK 4 cents per share already distributed, the total dividend for the full year of 2010 will be HK 6 cents per share.

Chairman's Statement

APPRECIATION

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

Luk King Tin
Chairman

30 March 2011

Management Discussion and Analysis

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash, bank balances and time deposits as at 31 December 2010 amounted to HK$179,802,000 (31 December 2009: HK$295,072,000). The Group's total borrowings amounted to HK$404,268,000 (31 December 2009: HK$475,166,000), of which HK$293,666,000 (31 December 2009: HK$329,505,000) was repayable within 1 year and HK$110,602,000 (31 December 2009: HK$145,661,000) was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$, US$ and Vietnamese Dong ("VND") were 12.8%, 32.6% and 54.6% respectively. Of the total borrowings, about 39.6% were at fixed interest rates.

The gearing ratio, which is net debt divided by the capital plus net debt, was 17% as at 31 December 2010 (31 December 2009: 18%).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2010, the Group has no significant investment held.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2010, the Group had approximately 1,730 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$31,087,000 for the year ended 31 December 2010 (31 December 2009: HK$37,184,000). The Company operates a share options scheme and options are granted to certain employees in order to encourage their contribution to the Group. There was no significant change in the Group's remuneration policy as compared to last financial year.

DETAILS OF CHARGES

As at 31 December 2010, the Group pledged certain fixed assets at a net carrying amount of HK$750,104,000, prepaid land lease payments at a net carrying amount of HK$14,959,000 and certain investment properties at a carrying amount of HK$166,000,000.

Management Discussion and Analysis

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Group has exposed to the risk of exchange rate's fluctuation in Vietnamese Dong ("VND") for its investments in Vietnam, especially the income and foreign currency loans of the cement plant. The exchange rate of VND to USD was comparatively volatile throughout the accounting period, with a devaluation of 5.5% as at 31 December 2010 when compared to the rate as at 31 December 2009. Since VND is not a freely convertible currency, hedging instruments in the market are very limited. Besides, as the interest rate deviation between VND and USD was as high as 13%, the cost for adopting such exchange rate hedging instrument was thus so expensive and ineffective. The cost for such hedging instrument may possibly be higher than the rate of VND devaluation per annum. As a result, the Company has not employed any hedging instrument to hedge against the exchange risk during the year. In order to minimize exposure to the exchange risk, most of the expenditure of the cement plant and the Saigon Trade Centre are in VND. For the Saigon Trade Centre, over 90% of the leasing contracts are denominated in USD.

DETAILS OF CONTINGENT LIABILITIES

As at 31 December 2010, the Group has no significant contingent liability (31 December 2009: Nil).

Corporate Governance Practices

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system.

Following the issue of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2010, except for the requirements that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (code provision A.4.1) and all directors should retire and rotate for at least every three years (code provision A.4.2), the Company has complied with all code provisions of the Code on Corporate Governance Practices.

Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin. Mr. Luk is 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. 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.

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

THE BOARD OF DIRECTORS

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

Corporate Governance Practices

The Board currently comprises 8 directors, namely Mr. LUK King Tin (the Chairman), Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung and Mr. FAN Chiu Tat, Martin as executive directors, Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. TAM Kan Wing as independent non-executive directors. Their biographical details are presented on pages 15 to 16 of this annual report. The Company and its directors (including independent non-executive directors) have not entered into any service contract with a specified length of service. All directors, except the Chairman, are subject to retirement by rotation and re-election at annual general meetings of the Company at least every three years. The Company has received a confirmation of independence from each of the independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. TAM Kan Wing and considers them to be independent. The Company has received acknowledgements from the directors of their responsibility for preparing the financial statements and a statement by the auditors of the Company about their reporting responsibilities.

The Board convened six meetings during the financial year ended 31 December 2010. Mr. LUK King Tin, Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung and Mr. FAN Chiu Tat, Martin attended all six board meetings while Mr. LIU Li Yuan attended one board meeting, Mr. LIANG Fang and Mr. TAM Kan Wing attended two board meetings.

APPOINTMENT, RE-ELECTION AND REMOVAL OF DIRECTORS

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

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

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

All Independent Non-executive Directors are appointed for a specific term of one year and are subject to re-election at each annual general meeting.

The Board currently has two principal board committees, which are the audit committee and the remuneration committee.

Corporate Governance Practices

AUDIT COMMITTEE

The Company has established the audit committee, which is comprised solely of independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. TAM Kan Wing. All members of our audit committee have many years of finance and business management experience and expertise. The audit committee's primary responsibilities include, among other things, making recommendation to the board of directors on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit procedure in accordance with applicable standards, developing and implementing policies on the engagement of external auditors to provide non-audit services, monitoring the integrity of financial statements of the Company and the Company's report and financial statements and overseeing the Company's financial reporting system and internal control procedures.

In 2010, the audit committee met twice, and mainly reviewed the integrity of the Company's financial statements, annual report and accounts, interim report and the significant financial reporting judgments contained in such financial statements and reports, discussed and approved the budgets and remuneration of, and services provided by, the external auditors, reviewed the Company's internal audit procedures and reports, and reviewed the compliance situation with relevant laws and regulations. Mr. LIU Li Yuan attended one meeting, Mr. LIANG Fang and Mr. TAM Kan Wing attended two meetings.

REMUNERATION COMMITTEE

The Company has established the remuneration committee, which is comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company and Mr. LUK King Tin, the Chairman of the Company. The primary responsibilities of the remuneration committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans. In 2010, the remuneration committee met once. All members attended the meeting.

At present, remunerations of the senior management of the Company mainly consist of fixed monthly salary. Certain senior management is also awarded with a performance-linked annual bonus, which is tied to the attainment of key performance indicators targets. Share options were also granted to executive directors and senior management of the Company during the year. The remuneration of non-executive directors is determined with reference to the prevailing market conditions and workload of being non-executive directors and members of the board committees of the Company.

Corporate Governance Practices

INTERNAL CONTROL AND MANAGEMENT

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

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

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

During 2010, based on the evaluations made by management, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

COMMUNICATION WITH SHAREHOLDERS

The Group discloses relevant information to shareholders through the Group's website, annual report and financial statements, the interim report, periodic company announcements as well as the Annual General Meeting ("AGM"). The section under "Management Discussion and Analysis" of the annual reports facilitate the shareholders' understanding of the Company's activities. The AGM allows the Directors to meet and communicate with shareholders.

The Company's financial statements and each of the required disclosure of information are dispatched within the prescribed period imposed by laws and regulations.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2010 and 31 December 2010.

AUDITORS' REMUNERATION

The Company has engaged Ernst & Young as statutory auditors of the Company. For the year ended 31 December 2010, amounts of HK$1,964,000, HK$147,000 and HK$2,400,000 were paid to Ernst & Young for their statutory audit service, tax service and other services respectively.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 117.

An interim dividend of HK 4 cents per ordinary share was paid on 30 September 2010. The directors recommend the payment of a final dividend of HK 2 cents per ordinary share in respect of the year to shareholders on the register of members on 6 May 2011. This recommendation has been incorporated in the financial statements as an allocation of contributed surplus within the equity section of the statement of financial position.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 120. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 14 and 15 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 118.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 34 and 35 to the financial statements.

PRE-EMPTIVE RIGHTS

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

Report of the Directors

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 36(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$200,510,000 of which approximately HK$10,228,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$749,626,000, may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the Group's five largest customers accounted for approximately 36% of the total sales for the year and sales to the largest customer included therein amounted to approximately 19%. Purchases from the Group's five largest suppliers accounted for approximately 57% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 31%.

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

Report of the Directors

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Luk King Tin *(Chairman and Chief Executive Officer)*
Cheng Cheung
Luk Yan
Luk Fung
Fan Chiu Tat, Martin

Independent non-executive directors:

Liu Li Yuan
Liang Fang
Tam Kan Wing

In accordance with clause 87 of the Company's bye-laws, Luk Yan and Fan Chiu Fat, Martin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors, Messrs. Liu Li Yuan, Liang Fang and Tam Kan Wing, are appointed for a period of one year and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. Luk King Tin, aged 73, is the chairman of the board and the Chief Executive Officer of the Company. Mr. Luk King Tin is also the founder of the Group and has been with the Group for over 30 years. He is responsible for formulating the Group's strategies and policies.

Madam Cheng Cheung, aged 70, is an executive director of the Company. Madam Cheng Cheung is the spouse of Mr. Luk King Tin and has been with the Group for over 30 years. She is mainly responsible for the finance, human resources and administrative functions of the Group.

Mr. Luk Yan, aged 46, is an executive director of the Company. Mr. Luk Yan is a son of Mr. Luk King Tin and Madam Cheng Cheung. He is now responsible for the Group's property investment and management in Vietnam. He has been with the Group for 21 years.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (Continued)

Mr. Luk Fung, aged 42, is an executive director of the Company. Mr. Luk Fung is a son of Mr. Luk King Tin and Madam Cheng Cheung. He is a holder of a MBA degree from The Chinese University of Hong Kong. He has years of experience in the financial services industry prior to joining the Group. Mr. Luk Fung graduated from Simon Fraser University in Canada. He is responsible for the development of the cement business of the Group. He has been with the Group for 11 years.

Mr. Fan Chiu Tat, Martin, aged 44, is an executive director and the company secretary of the Company. He graduated from The University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan Chiu Tat, Martin is also the financial controller of the Company. He has been with the Group for 21 years.

Mr. Liu Li Yuan, aged 59, is an independent non-executive director of the Company. Mr. Liu Li Yuan is a graduate with a Diploma from the Faculty of Law of the University of Beijing. He is currently a managing director of a property investment and management company in Mainland China.

Mr. Liang Fang, aged 58, is an independent non-executive director of the Company. Mr. Liang Fang is a holder of a MBA degree from the Massachusetts Institute of Technology of the United States of America. He has been working in the IT business for a number of years. Mr. Liang Fang is currently the Director of Joint Technology Development Limited.

Mr. Tam Kan Wing, aged 45, is an independent non-executive director of the Company. Mr. Tam Kan Wing is the sole proprietor of a CPA firm in Hong Kong. He is a holder of a Bachelor's degree of Arts in Accountancy from the City University of Hong Kong. He is also a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Taxation Institute of Hong Kong. He has more than 21 years of experience in the auditing, taxation, finance and accounting fields.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Company's board of directors with reference to directors' duties, responsibilities and performance and the results of the Group.

DIRECTORS' INTERESTS IN CONTRACTS

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

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

At 31 December 2010, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest				
Name of director	Notes	**Directly beneficially owned**	**Through spouse or minor children**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Luk King Tin	(a)	189,552,399	—	62,684,958	252,237,357	49.32
Cheng Cheung	(b)	20,784,800	—	36,912,027	57,696,827	11.28
Luk Yan	(c)	3,070,800	174,000	—	3,244,800	0.64
Luk Fung		3,129,600	—	—	3,129,600	0.61
Fan Chiu Tat, Martin		1,500,000	—	—	1,500,000	0.29
		218,037,599	174,000	99,596,985	317,808,584	62.14

Report of the Directors

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

Long positions in shares of an associated corporation:

Name of director	Note	Name of associated corporation	Relationship with the Company	Number of shares held	Capacity and nature of interest	Percentage of the associated corporation's issued share capital
Luk 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 end of the reporting period.

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

(c) Mr. Luk Yan had a family interest in 174,000 shares of the Company at the end of the reporting period.

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

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

Save as disclosed above, as at 31 December 2010, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in the section "Share option scheme" in note 35 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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. Further details of the Scheme are disclosed in note 35 to the financial statements.

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

At 31 December 2010, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share 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 31 December 2010, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SUFFICIENCY OF PUBLIC FLOAT

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

Report of the Directors

AUDITORS

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

ON BEHALF OF THE BOARD

Luk King Tin
Chairman

Hong Kong
30 March 2011

Independent Auditors' Report

ERNST & YOUNG
安 永

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

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 117, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

Independent Auditors' Report

AUDITORS' RESPONSIBILITY (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong

30 March 2011

Consolidated Income Statement

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
REVENUE	5	**838,441**	721,833
Cost of sales		**(548,362)**	(362,393)
Gross profit		**290,079**	359,440
Other income and gains	5	**13,829**	19,521
Fair value gains on investment properties, net		**38,075**	53,660
Selling and distribution costs		**(68,991)**	(62,353)
Administrative expenses		**(82,896)**	(100,174)
Other expenses		**(78,683)**	(97,279)
Finance costs	7	**(40,046)**	(24,247)
Share of profits and losses of a jointly-controlled entity		**37**	1
Share of profits and losses of associates		**(3,655)**	(3,995)
PROFIT BEFORE TAX	6	**67,749**	144,574
Income tax expense	10	**(23,692)**	(39,823)
PROFIT FOR THE YEAR		**44,057**	104,751
Attributable to:			
Owners of the parent	11	**45,377**	107,055
Non-controlling interests		**(1,320)**	(2,304)
		44,057	104,751
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK 8.9 cents**	HK 20.9 cents
Diluted		**HK 8.9 cents**	HK 20.9 cents

Details of the dividends payable and proposed for the year are disclosed in note 12 to the financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Notes	**2010** **HK$'000**	2009 HK$'000
PROFIT FOR THE YEAR		**44,057**	104,751
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(68,032)**	(52,387)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(68,032)**	(52,387)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR		**(23,975)**	52,364
Attributable to:			
Owners of the parent	11	**(22,238)**	54,668
Non-controlling interests		**(1,737)**	(2,304)
		(23,975)	52,364

Consolidated Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**1,010,914**	1,136,951	939,474
Investment properties	15	**1,286,704**	1,289,191	1,290,968
Prepaid land lease payments	16	**17,741**	21,691	16,331
Goodwill	17	**183**	183	15,842
Investment in a jointly-controlled entity	19	**3,828**	2,976	2,975
Investments in associates	20	**113,424**	111,379	129,509
Available-for-sale investments		**—**	—	416
Deposits		**138,331**	123,495	77,276
Total non-current assets		**2,571,125**	2,685,866	2,472,791
CURRENT ASSETS				
Property for development	21	**36,552**	33,870	—
Inventories	22	**93,206**	95,641	63,687
Trade receivables	23	**68,673**	53,424	28,826
Prepayments, deposits and other receivables		**36,256**	36,097	43,736
Debt investments at fair value through profit or loss	24	**1,094**	1,094	1,094
Derivative financial instruments	29	**—**	—	244
Pledged deposits	25	**—**	25,007	65,660
Cash and cash equivalents	25	**179,802**	270,065	468,100
Total current assets		**415,583**	515,198	671,347
CURRENT LIABILITIES				
Trade payables	26	**53,694**	51,178	70,172
Other payables and accruals		**121,850**	183,024	51,899
Due to directors	27	**75**	71	30,802
Due to a related company	28	**4,344**	3,350	1,852
Interest-bearing bank and other borrowings	30	**293,666**	329,505	303,306
Derivative financial instruments	29	**—**	6,379	—
Tax payable		**35,792**	23,221	23,990
Total current liabilities		**509,421**	596,728	482,021

Consolidated Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NET CURRENT (LIABILITIES)/ASSETS		**(93,838)**	(81,530)	189,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,477,287**	2,604,336	2,662,117
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	30	**110,602**	145,661	174,443
Rental deposits		**23,051**	22,826	36,436
Provisions	32	**5,170**	4,819	5,056
Deferred tax liabilities	33	**212,586**	230,314	242,781
Total non-current liabilities		**351,409**	403,620	458,716
Net assets		**2,125,878**	2,200,716	2,203,401
EQUITY				
Equity attributable to owners of the parent				
Issued capital	34	**5,114**	5,114	5,150
Reserves	36(a)	**2,114,673**	2,167,318	2,172,882
Proposed final dividend	12	**10,228**	30,684	30,684
		2,130,015	2,203,116	2,208,716
Non-controlling interests		**(4,137)**	(2,400)	(5,315)
Total equity		**2,125,878**	2,200,716	2,203,401

Luk King Tin
Director

Cheng Cheung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 36(a))	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity 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
Profit for the year		—	—	—	—	—	—	107,055	—	107,055	(2,304)	104,751
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		—	—	—	—	—	(52,387)	—	—	(52,387)	—	(52,387)
Total comprehensive income for the year		—	—	—	—	—	(52,387)	107,055	—	54,668	(2,304)	52,364
Acquisition of a subsidiary	37	—	—	—	—	—	—	—	—	—	5,219	5,219
Final 2008 dividend declared		—	—	—	—	—	—	—	(30,684)	(30,684)	—	(30,684)
Equity-settled share option arrangements	35	—	—	—	1,514	—	—	—	—	1,514	—	1,514
Issue of shares	34	2	267	—	(27)	—	—	—	—	242	—	242
Repurchase of shares	34	(38)	(8,289)	—	—	38	—	(38)	—	(8,327)	—	(8,327)
Interim 2009 dividend	12	—	—	(23,013)	—	—	—	—	—	(23,013)	—	(23,013)
Proposed final 2009 dividend	12	—	—	(30,684)	—	—	—	—	30,684	—	—	—
At 31 December 2009		5,114	749,626	511,994	9,786	636	(210,505)	1,105,781	30,684	2,203,116	(2,400)	2,200,716

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

		Attributable to owners of the parent										
	Notes	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000 (note 36(a))	Share option reserve HK$'000	Capital redemption reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Proposed final dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		5,114	749,626	511,994	9,786	636	(210,505)	1,105,781	30,684	2,203,116	(2,400)	2,200,716
Profit for the year		—	—	—	—	—	—	45,377	—	45,377	(1,320)	44,057
Other comprehensive loss for the year:												
Exchange differences on translation of foreign operations		—	—	—	—	—	(67,615)	—	—	(67,615)	(417)	(68,032)
Total comprehensive loss for the year		—	—	—	—	—	(67,615)	45,377	—	(22,238)	(1,737)	(23,975)
Final 2009 dividend declared		—	—	—	—	—	—	—	(30,684)	(30,684)	—	(30,684)
Equity-settled share option arrangements	35	—	—	—	277	—	—	—	—	277	—	277
Interim 2010 dividend	12	—	—	(20,456)	—	—	—	—	—	(20,456)	—	(20,456)
Proposed final 2010 dividend	12	—	—	(10,228)	—	—	—	—	10,228	—	—	—
At 31 December 2010		5,114	749,626*	481,310*	10,063*	636*	(278,120)*	1,151,158*	10,228	2,130,015	(4,137)	2,125,878

* These reserve accounts comprise the consolidated reserves of HK$2,114,673,000 (2009: HK$2,167,318,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**67,749**	144,574
Adjustments for:			
Finance costs	7	**40,046**	24,247
Share of profits and losses of a jointly-controlled entity		**(37)**	(1)
Share of profits and losses of associates		**3,655**	3,995
Interest income	5	**(6,332)**	(12,475)
Equity-settled share option expense	6	**277**	1,514
Fair value gains on investment properties, net		**(38,075)**	(53,660)
Loss/(gain) on disposal of items of property, plant and equipment	6	**8**	(130)
Depreciation	6	**61,769**	35,474
Recognition of prepaid land lease payments	6	**2,868**	4,787
Fair value losses on derivative financial instruments	6	**1,158**	6,623
Impairment of loans to associates	6	**2,360**	7,144
Impairment of trade receivables	6	**65**	1,295
Impairment of other receivables	6	**1,212**	—
Impairment of items of property, plant and equipment	6	**960**	—
Impairment of available-for-sale investments	6	**—**	416
Impairment of goodwill	6	**—**	15,659
		137,683	179,462
Increase in property for development		**(2,682)**	—
Decrease/(increase) in inventories		**2,435**	(31,954)
Increase in trade receivables		**(15,314)**	(25,893)
(Increase)/decrease in prepayments, deposits and other receivables		**(1,464)**	8,605
Increase/(decrease) in trade payables		**2,516**	(18,994)
Increase in other payables and accruals		**11,046**	58,543
Increase/(decrease) in provisions		**393**	(198)
Increase in an amount due to a related company		**994**	1,498
Increase/(decrease) in rental deposits		**225**	(13,610)
Cash generated from operations		**135,832**	157,459
Interest paid		**(40,046)**	(33,663)
Hong Kong profits tax paid		**—**	—
Overseas taxes paid		**(18,839)**	(21,524)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**76,947**	102,272

Consolidated Statement of Cash Flows

Year ended 31 December 2010

	Notes	2010 HK$'000	2009 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**76,947**	102,272
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,332**	12,475
Purchases of items of property, plant and equipment		**(75,376)**	(211,484)
Addition of investment properties		**(2,799)**	—
Addition of prepaid land lease payments	16	**—**	(11,389)
Decrease in pledged deposits		**25,007**	40,653
Increase in non-current deposits		**(14,836)**	(46,219)
Loans to associates		**(8,663)**	(367)
Repayment of loans from associates		**—**	8,478
Acquisition of a subsidiary	37	**—**	(29,402)
Proceeds from disposal of items of property, plant and equipment		**—**	727
Decrease in derivative financial instruments		**(7,537)**	—
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(77,872)**	(236,528)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**—**	242
Repurchase of shares		**—**	(8,327)
New bank loans		**409,270**	321,576
Repayment of bank loans		**(479,557)**	(325,972)
Capital element of finance lease rental payments		**(611)**	(676)
Increase/(decrease) in amounts due to directors		**4**	(30,731)
Dividends paid		**(51,140)**	(53,697)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(122,034)**	(97,585)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(122,959)**	(231,841)
Cash and cash equivalents at beginning of year		**270,065**	468,100
Effect of foreign exchange rate changes, net		**32,696**	33,806
CASH AND CASH EQUIVALENTS AT END OF YEAR		**179,802**	270,065
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**172,513**	220,591
Non-pledged time deposits with original maturity of less than three months when acquired	25	**7,289**	49,474
		179,802	270,065

Statement of Financial Position

31 December 2010

	Notes	**31 December 2010 HK$'000**	31 December 2009 HK$'000 (Restated)	1 January 2009 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**103**	115	148
Investments in subsidiaries	18	**937,622**	938,403	959,418
Total non-current assets		**937,725**	938,518	959,566
CURRENT ASSETS				
Prepayments		**—**	461	1,630
Debt investments at fair value through profit or loss	24	**1,094**	1,094	1,094
Pledged deposits	25	**—**	25,007	65,660
Cash and cash equivalents	25	**35,864**	175,686	201,258
Total current assets		**36,958**	202,248	269,642
CURRENT LIABILITIES				
Other payables and accruals		**5,110**	5,260	6,213
Interest-bearing bank borrowings	30	**—**	73,190	64,702
Due to directors	27	**75**	71	87
Total current liabilities		**5,185**	78,521	71,002
NET CURRENT ASSETS		**31,773**	123,727	198,640
TOTAL ASSETS LESS CURRENT LIABILITIES		**969,498**	1,062,245	1,158,206
NON-CURRENT LIABILITIES				
Provisions	32	**3,549**	3,531	3,695
Total non-current liabilities		**3,549**	3,531	3,695
Net assets		**965,949**	1,058,714	1,154,511
EQUITY				
Issued capital	34	**5,114**	5,114	5,150
Reserves	36(b)	**950,607**	1,022,916	1,118,677
Proposed final dividend	12	**10,228**	30,684	30,684
Total equity		**965,949**	1,058,714	1,154,511

Luk King Tin
Director

Cheng Cheung
Director

Notes to Financial Statements

31 December 2010

1. CORPORATE INFORMATION

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

During the year, the Group was involved in the following principal activities:

- manufacture and sale of cement
- property investment
- property development
- manufacture and sale of traditional Chinese medicine products
- sale of electronic products
- manufacture and sale of plywood and other wood products

2.1 BASIS OF PREPARATION

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

Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Basis of consolidation from 1 January 2010 (Continued)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements have been applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests (formerly known as minority interests), prior to 1 January 2010, were accounted for using the parent entity extension method, whereby the differences between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributable to the parent, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the parent shareholders.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised) and HK Interpretation 5, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) *Business Combinations* and HKAS 27 (Revised) *Consolidated and Separate Financial Statements*

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 *Statement of Cash Flows,* HKAS 12 *Income Taxes,* HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates* and HKAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) HK Interpretation 5: Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

HK Interpretation 5 requires that a loan that contains a clause that gives the lender the unconditional right to call the loan at any time shall be classified in total by the borrower as current in the statement of financial position. This is irrespective of whether a default event has occurred and notwithstanding any other terms and maturity stated in the loan agreement.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) HK Interpretation 5: Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (Continued)

Prior to the adoption of this interpretation, the Group's term loan was classified in the statement of financial position separately as to the current and non-current liability portions based on the maturity dates of repayment. Upon the adoption of the interpretation, certain term loan has been reclassified entirely as a current liability. The interpretation has been applied by the Group retrospectively and comparative amounts have been restated. In addition, as a result of this change and as required by HKAS 1 *Presentation of Financial Statements,* these financial statements also include a statement of financial position as at 1 January 2009.

Further details of the loan are disclosed in note 30 to the financial statements. The above change has had no effect on the consolidated income statement. The effect on the consolidated statement of financial position is summarised as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
CURRENT LIABILITIES			
Increase in interest-bearing bank and other borrowings	**72,926**	94,410	120,758
NON-CURRENT LIABILITIES			
Decrease in interest-bearing bank and other borrowings	**(72,926)**	(94,410)	(120,758)

There was no impact on the net assets of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 Income Taxes — *Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that the new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Notes to Financial Statements

31 December 2010

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associates, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint ventures (Continued)

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's investment in a jointly-controlled entity is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated income statement and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entity is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Group and its jointly-controlled entity are eliminated to the extent of the Group's investment in the jointly-controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into any dissimilar accounting policies that may exist.

The results of a jointly-controlled entity are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a jointly-controlled entity is treated as non-current asset and is stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Adjustments are made to bring into any dissimilar accounting policies that may exist.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Associates (Continued)

The results of associates are included in the Company's income statement to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and are stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations from 1 January 2010 (Continued)

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

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

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Business combinations prior to 1 January 2010 but after 1 January 2005 (Continued)

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

Impairment of non-financial assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

Leasehold land and buildings	Over the lease terms
Leasehold improvements	18% - 20%
Plant and machinery	4% - 15%
Furniture, fixtures and office equipment	9% - 20%
Computer equipment	18% - 20%
Launch	15%
Motor vehicles	14% - 25%
Vessels	7%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

Investment properties

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investment properties (Continued)

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

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

Properties for development

Properties for development are intended to be held for sale after completion.

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

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

Leases

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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

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

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as fair value through profit or loss, loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attribute transaction costs.

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

The Group's financial assets include cash and bank balances, trade and other receivables, loans receivable, and quoted and unquoted financial instruments.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in other income and gains or finance costs in the income statement. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Loans and receivables

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

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the income statement in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the income statement in other expenses and removed from the available-for-sale investment valuation reserve. Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the income statement as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Available-for-sale financial investments (Continued)

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

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

Financial assets carried at amortised cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Financial assets carried at amortised cost (Continued)

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

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is removed from other comprehensive income and recognised in the income statement.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the income statement — is removed from other comprehensive income and recognised in the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

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

The Group's financial liabilities include trade and other payables, amounts due to directors and a related company, derivative financial instruments, and interest-bearing loans and borrowings.

Subsequent measurement

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

Loans and borrowings

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

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

Derecognition of financial liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and other valuation models.

Derivative financial instruments

The Group uses derivative financial instruments such as interest rate swaps to hedge its interest rate risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the income statement, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

Inventories

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

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

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

Provisions

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

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

Income tax

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

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

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

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

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

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

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

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

Share-based payment transactions

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the Black-Scholes model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payment transactions (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. All cancellations of equity-settled transaction awards are treated equally.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

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

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries, a jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the end of the reporting period and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Operating lease commitments — Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements (Continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Impairment assessment for trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectability and an aged analysis of trade receivables and on the judgement of management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are to deteriorate, resulting in an impairment of their ability to make payments, provisions may be required.

The carrying amount of trade receivables at 31 December 2010 was approximately HK$68,673,000 (2009: HK$53,424,000).

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2010 was approximately HK$183,000 (2009: HK$183,000). More details are set out in note 17 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 December 2010 was approximately HK$1,286,704,000 (2009: HK$1,289,191,000) (note 15).

Notes to Financial Statements

31 December 2010

4. OPERATING SEGMENT INFORMATION

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

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

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

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

(d) the traditional Chinese medicine products segment represents the Group's manufacture and sale of traditional Chinese medicine products; and

(e) the corporate and others segment represents corporate income and expense items and the Group's manufacture and sale of electronic products and plywood products.

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

Segment assets and liabilities exclude derivative financial instruments.

4. OPERATING SEGMENT INFORMATION (Continued)

(a) Business segments

Year ended 31 December	Cement products		Property investment		Property development		Traditional Chinese medicine products		Corporate and others		Consolidated	
	2010	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:												
Sales to external customers	**702,428**	566,828	**126,510**	145,845	**–**	–	**1,618**	1,757	**7,885**	7,403	**838,441**	721,833
Other income and gains	**7,199**	6,361	**298**	641	**–**	–	**–**	–	**–**	44	**7,497**	7,046
											845,938	728,879
Segment results	**(18,446)**	64,977	**130,559**	148,680	**(6,027)**	(2,534)	**(2,559)**	(5,494)	**(37,334)**	(62,913)	**66,193**	142,716
Reconciliation:												
Interest income											**6,332**	12,475
Fair value losses on derivative financial instruments											**(1,158)**	(6,623)
Share of profits and losses of associates	**(3,216)**	(3,626)	**–**	–	**(439)**	(369)	**–**	–	**–**	–	**(3,655)**	(3,995)
Share of profits and losses of a jointly-controlled entity	**–**	–	**37**	1	**–**	–	**–**	–	**–**	–	**37**	1
Profit before tax											**67,749**	144,574
Income tax expense	**(3,152)**	(13,578)	**(20,540)**	(26,245)	**–**	–	**–**	–	**–**	–	**(23,692)**	(39,823)
Profit for the year											**44,057**	104,751
Segment assets	**1,262,062**	1,324,400	**1,450,969**	1,472,891	**79,701**	36,927	**5,264**	4,583	**71,460**	247,908	**2,869,456**	3,086,709
Reconciliation:												
Investments in associates	**37,069**	38,544	**–**	–	**76,355**	72,835	**–**	–	**–**	–	**113,424**	111,379
Investment in a jointly-controlled entity	**–**	–	**3,828**	2,976	**–**	–	**–**	–	**–**	–	**3,828**	2,976
Total assets											**2,986,708**	3,201,064
Segment liabilities	**512,508**	656,923	**317,032**	269,115	**495**	356	**4,724**	4,443	**26,071**	63,132	**860,830**	993,969
Unallocated liabilities											**–**	6,379
Total liabilities											**860,830**	1,000,348
Other segment information:												
Depreciation	**58,049**	30,894	**2,225**	2,985	**80**	79	**161**	170	**1,254**	1,346	**61,769**	35,474
Capital expenditure	**3,070**	303,028	**2,799**	3,844	**6**	22	**–**	51	**80**	53	**5,955**	306,998
Impairment of loans to associates	**2,360**	7,144	**–**	–	**–**	–	**–**	–	**–**	–	**2,360**	7,144
Impairment of trade receivables	**–**	1,279	**–**	–	**–**	–	**36**	–	**29**	16	**65**	1,295
Impairment of other receivables	**1,212**	–	**–**	–	**–**	–	**–**	–	**–**	–	**1,212**	–
Fair value gains on investment properties, net	**–**	–	**38,075**	53,660	**–**	–	**–**	–	**–**	–	**38,075**	53,660
Impairment of goodwill	**–**	–	**–**	15,659	**–**	–	**–**	–	**–**	–	**–**	15,659
Impairment of items of property, plant and equipments	**461**	–	**–**	–	**–**	–	**–**	–	**499**	–	**960**	–
Impairment of available-for-sale investments	**–**	416	**–**	–	**–**	–	**–**	–	**–**	–	**–**	416

4. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information

(a) Revenue from external customers

	2010 HK$'000	2009 HK$'000
Vietnam	**817,634**	701,294
Hong Kong	**13,744**	13,521
Mainland China	**7,063**	7,018
	838,441	721,833

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

(b) Non-current assets

	2010 HK$'000	2009 HK$'000
Vietnam	**2,013,260**	2,186,839
Hong Kong	**342,763**	326,786
Mainland China	**215,102**	172,241
	2,571,125	2,685,866

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

Information about a major customer

Revenue of approximately HK$155,967,000 (2009: HK$166,789,000) was derived from sales by the cement products segment to a single customer.

5. 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 year.

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

	2010 **HK$'000**	2009 HK$'000
Revenue		
Sale of cement	**702,428**	566,828
Gross rental income	**126,510**	145,845
Sale of electronic products	**4,437**	4,172
Sale of traditional Chinese medicine products	**1,618**	1,757
Sale of plywood and other wood products	**3,448**	3,231
	838,441	721,833
Other income and gains		
Interest income	**6,332**	12,475
Others	**7,497**	7,046
	13,829	19,521

Notes to Financial Statements

31 December 2010

6. PROFIT BEFORE TAX

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

	Notes	**2010 HK$'000**	2009 HK$'000
Cost of inventories sold		**531,735**	345,659
Depreciation	14	**61,769**	35,474
Recognition of prepaid land lease payments	16	**2,868**	4,787
Research and development costs*		**938**	3,434
Auditors' remuneration		**1,964**	1,628
Minimum operating lease payments in respect of land and buildings		**725**	1,144
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**30,170**	35,083
Equity-settled share option expense	35	**277**	1,514
Pension scheme contributions		**640**	587
		31,087	37,184
Foreign exchange differences, net*		**31,368**	61,469
Rental income on investment properties less direct operating expenses of HK$16,627,000 (2009: HK$8,432,000)		**(109,883)**	(137,413)
Impairment of loans to associates*	20	**2,360**	7,144
Impairment of trade receivables*	23	**65**	1,295
Impairment of other receivables*		**1,212**	—
Impairment of available-for-sale investments*		**—**	416
Impairment of goodwill*	17	**—**	15,659
Impairment of items of property, plant and equipment*	14	**960**	—
Fair value losses on derivative financial instruments*		**1,158**	6,623
Loss/(gain) on disposal of items of property, plant and equipment*		**8**	(130)

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

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Interest on overdrafts and bank loans wholly repayable within five years	**39,915**	33,546
Interest on finance leases	**131**	117
Total interest expense on financial liabilities not at fair value through profit or loss	**40,046**	33,663
Less: Interest capitalised	**—**	(9,416)
	40,046	24,247

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**9,135**	9,000
Discretionary bonuses	**303**	238
Pension scheme contributions	**36**	36
	9,474	9,274
	10,274	10,074

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2010 HK$'000	2009 HK$'000
Liu Li Yuan	100	100
Liang Fang	100	100
Tam Kan Wing	100	100
	300	300

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2010					
Luk King Tin	100	3,250	—	—	3,350
Cheng Cheung	100	1,690	—	—	1,790
Luk Yan	100	1,588	252	12	1,952
Luk Fung	100	1,515	51	12	1,678
Fan Chiu Tat, Martin	100	1,092	—	12	1,204
	500	9,135	303	36	9,974
2009					
Luk King Tin	100	3,371	—	—	3,471
Cheng Cheung	100	1,747	—	—	1,847
Luk Yan	100	1,544	172	12	1,828
Luk Fung	100	1,246	66	12	1,424
Fan Chiu Tat, Martin	100	1,092	—	12	1,204
	500	9,000	238	36	9,774

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2009: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2009: one) non-director, highest paid employee for the year are as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,385**	1,445
Discretionary bonuses	**362**	492
	1,747	1,937

The remuneration of the non-director, highest paid employee fell within the following bands:

	Number of employee	
	2010	2009
HK$1,500,001 to HK$2,000,000	**1**	1

10. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2010	2009
	HK$'000	HK$'000
Group:		
Current — elsewhere		
Charge for the year	**24,603**	20,755
Underprovision in prior years	**6,807**	—
Deferred (note 33)	**(7,718)**	19,068
Total tax charge for the year	**23,692**	39,823

10. INCOME TAX EXPENSE (Continued)

In accordance with the relevant tax rules and regulations in Vietnam, certain of the Group's subsidiaries in Vietnam enjoy income tax exemptions and reductions. At present, the standard income tax rates applicable to these subsidiaries are 10% to 25%.

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group — 2010

	Hong Kong		Mainland China		Vietnam		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(20,946)		40,653		48,042		67,749	
Tax at the statutory tax rate	(3,456)	16.5	10,163	25.0	12,011	25.0	18,718	27.6
Lower tax rates for specific provinces or enacted by local authority	—	—	(4,341)	(10.7)	(2,858)	(5.9)	(7,199)	(10.6)
Adjustments in respect of current tax of previous periods	—	—	—	—	6,807	14.1	6,807	10.0
Profits and losses attributable to associates	72	(0.3)	—	—	804	1.7	876	1.3
Profits and losses attributable to a jointly-controlled entity	—	—	(9)	—	—	—	(9)	—
Income not subject to tax	(5,569)	26.6	—	—	(841)	(1.8)	(6,410)	(9.5)
Expenses not deductible for tax	6,653	(31.8)	—	—	128	0.3	6,781	10.0
Tax losses utilised	(1,489)	7.1	—	—	(56)	(0.1)	(1,545)	(2.2)
Tax losses not recognised	3,789	(18.1)	—	—	1,884	3.9	5,673	8.4
Tax charge at the Group's effective rate	—	—	5,813	14.3	17,879	37.2	23,692	35.0

10. INCOME TAX EXPENSE (Continued)

Group — 2009

	Hong Kong		Mainland China		Vietnam		Total	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Profit/(loss) before tax	(9,067)		40,453		113,188		144,574	
Tax at the statutory tax rate	(1,496)	16.5	10,113	25.0	28,297	25.0	36,914	25.5
Lower tax rates for specific provinces or enacted by local authority	—	—	(3,790)	(9.4)	(14,048)	(12.4)	(17,838)	(12.3)
Profits and losses attributable to associates	61	(0.7)	—	—	544	0.5	605	0.4
Income not subject to tax	(7,752)	85.5	—	—	(7,954)	(7.0)	(15,706)	(10.9)
Expenses not deductible for tax	9,045	(99.8)	1,102	2.7	23,492	20.7	33,639	23.2
Tax losses utilised	(741)	8.2	—	—	—	—	(741)	(0.5)
Tax losses not recognised	883	(9.7)	—	—	2,067	1.8	2,950	2.1
Tax charge at the Group's effective rate	—	—	7,425	18.3	32,398	28.6	39,823	27.5

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2010 includes a loss of HK$35,730,000 (2009: loss of HK$35,529,000) which has been dealt with in the financial statements of the Company (note 36(b)).

12. DIVIDENDS

	2010	2009
	HK$'000	HK$'000
Interim — HK 4 cents (2009: HK 4.5 cents) per ordinary share	**20,456**	23,013
Proposed final — HK 2 cents (2009: HK 6 cents) per ordinary share	**10,228**	30,684
	30,684	53,697

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

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 511,393,418 (2009: 511,778,584) in issue during the year.

The calculation of diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2010	2009
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**45,377**	107,055

	Number of shares	
	2010	2009
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**511,393,418**	511,778,584
Effect of dilution — weighted average number of ordinary shares:		
Share options	**469,410**	523,966
	511,862,828	512,302,550

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2010	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Launch HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2009 and at 1 January 2010:										
Cost	86,943	2,545	1,242,839	14,603	1,206	2,251	16,967	21,875	27,821	1,417,050
Accumulated depreciation	(47,605)	(1,843)	(199,337)	(13,414)	(946)	(2,251)	(12,972)	(1,731)	—	(280,099)
Net carrying amount	39,338	702	1,043,502	1,189	260	—	3,995	20,144	27,821	1,136,951
At 1 January 2010, net of accumulated depreciation	39,338	702	1,043,502	1,189	260	—	3,995	20,144	27,821	1,136,951
Additions	—	—	47	102	39	—	774	—	2,194	3,156
Transfers, net	—	—	223	—	—	—	10,619	—	(10,842)	—
Disposals	—	—	—	—	—	—	(8)	—	—	(8)
Impairment	—	—	(499)	—	—	—	—	—	(461)	(960)
Depreciation provided during the year	(1,610)	(181)	(53,559)	(378)	(91)	—	(3,988)	(1,962)	—	(61,769)
Exchange realignment	(64)	—	(64,051)	(57)	2	—	(236)	(970)	(1,080)	(66,456)
At 31 December 2010, net of accumulated depreciation	37,664	521	925,663	856	210	—	11,156	17,212	17,632	1,010,914
At 31 December 2010:										
Cost	85,875	2,545	1,167,899	14,488	1,240	2,251	26,700	20,784	17,632	1,339,414
Accumulated depreciation	(48,211)	(2,024)	(242,236)	(13,632)	(1,030)	(2,251)	(15,544)	(3,572)	—	(328,500)
Net carrying amount	37,664	521	925,663	856	210	—	11,156	17,212	17,632	1,010,914

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

31 December 2009	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Launch HK$'000	Motor vehicles HK$'000	Vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2009:										
Cost	85,301	2,525	552,772	13,965	1,202	2,251	13,904	—	524,779	1,196,699
Accumulated depreciation	(46,940)	(1,662)	(181,538)	(12,512)	(797)	(2,251)	(11,525)	—	—	(257,225)
Net carrying amount	38,361	863	371,234	1,453	405	—	2,379	—	524,779	939,474
At 1 January 2009, net of accumulated depreciation	38,361	863	371,234	1,453	405	—	2,379	—	524,779	939,474
Additions	213	20	79,588	531	14	—	4,131	—	211,112	295,609
Transfers	—	—	678,880	343	—	—	441	22,936	(702,600)	—
Transfer from investment properties	2,815	—	—	—	—	—	—	—	—	2,815
Disposals	—	—	—	—	—	—	(597)	—	—	(597)
Depreciation provided during the year	(1,726)	(181)	(28,351)	(1,055)	(154)	—	(2,191)	(1,816)	—	(35,474)
Exchange realignment	(325)	—	(57,849)	(83)	(5)	—	(168)	(976)	(5,470)	(64,876)
At 31 December 2009, net of accumulated depreciation	39,338	702	1,043,502	1,189	260	—	3,995	20,144	27,821	1,136,951
At 31 December 2009:										
Cost	86,943	2,545	1,242,839	14,603	1,206	2,251	16,967	21,875	27,821	1,417,050
Accumulated depreciation	(47,605)	(1,843)	(199,337)	(13,414)	(946)	(2,251)	(12,972)	(1,731)	—	(280,099)
Net carrying amount	39,338	702	1,043,502	1,189	260	—	3,995	20,144	27,821	1,136,951

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

31 December 2010	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 31 December 2009 and at 1 January 2010:			
Cost	138	316	454
Accumulated depreciation	(136)	(203)	(339)
Net carrying amount	2	113	115
At 1 January 2010, net of accumulated depreciation	2	113	115
Additions	—	32	32
Depreciation provided during the year	(2)	(42)	(44)
At 31 December 2010, net of accumulated depreciation	—	103	103
At 31 December 2010:			
Cost	138	348	486
Accumulated depreciation	(138)	(245)	(383)
Net carrying amount	—	103	103

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

31 December 2009	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Total HK$'000
At 1 January 2009:			
Cost	138	302	440
Accumulated depreciation	(121)	(171)	(292)
Net carrying amount	17	131	148
At 1 January 2009, net of accumulated depreciation	17	131	148
Additions	—	14	14
Depreciation provided during the year	(15)	(32)	(47)
At 31 December 2009, net of accumulated depreciation	2	113	115
At 31 December 2009:			
Cost	138	316	454
Accumulated depreciation	(136)	(203)	(339)
Net carrying amount	2	113	115

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's leasehold land and buildings included above are held under the following lease terms:

	Group	
	2010	2009
	HK$'000	HK$'000
At cost:		
Situated in Hong Kong:		
Long-term leases	**50,951**	50,951
Situated elsewhere:		
Short-term leases	**34,924**	35,992
	85,875	86,943

The net carrying amount of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 December 2010 was HK$1,706,719 (2009: HK$2,571,823).

At 31 December 2010, certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net carrying amount of approximately HK$37,363,000 (2009: HK$38,190,000), plant and machinery with an aggregate net carrying amount of approximately HK$688,983,000 (2009: HK$858,210,000), motor vehicles with an aggregate net carrying amount of approximately HK$6,546,000 (2009: Nil) and vessels with an aggregate net carrying amount of approximately HK$17,212,000 (2009: Nil) were pledged to secure general banking facilities granted to the Group (note 30).

15. INVESTMENT PROPERTIES

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**1,289,191**	1,290,968
Addition	**2,799**	—
Transfer to owner-occupied property	**—**	(2,815)
Net profit from a fair value adjustment	**38,075**	53,660
Exchange realignment	**(43,361)**	(52,622)
Carrying amount at 31 December	**1,286,704**	1,289,191

15. INVESTMENT PROPERTIES (Continued)

The investment properties are held under the following lease terms:

	Group	
	2010	2009
	HK$'000	HK$'000
Situated in Hong Kong:		
Long-term leases	**15,860**	25,524
Medium-term leases	**193,940**	154,482
	209,800	180,006
Situated elsewhere:		
Long-term leases	**141,018**	112,328
Medium-term leases	**853,541**	928,952
Short-term leases	**82,345**	67,905
	1,076,904	1,109,185
	1,286,704	1,289,191

The investment properties were revalued on 31 December 2010 by independent professionally qualified valuers, on an open market, existing use basis. The investment properties situated in Hong Kong and Mainland China were revalued by Vigers Appraisal & Consulting Limited and the investment properties situated in Vietnam were revalued by DTZ Debenham Tie Leung (Vietnam) Limited. The investment properties are leased to third parties under operating leases, further details of which are set out included in note 39(a) to the financial statements.

At 31 December 2010, certain of the Group's investment properties situated in Hong Kong with a carrying value of approximately HK$166,000,000 (2009: HK$141,000,000) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are set out included on page 118.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**24,599**	18,282
Addition during the year	**—**	11,389
Recognised during the year (note 6)	**(2,868)**	(4,787)
Exchange realignment	**(1,175)**	(285)
Carrying amount at 31 December	**20,556**	24,599
Current portion included in prepayments, deposits and other receivables	**(2,815)**	(2,908)
Non-current portion	**17,741**	21,691

The leasehold land is held under a short-term lease and is situated in Vietnam.

At 31 December 2010, the Group's prepaid land lease payments with an aggregate net carrying amount of approximately HK$14,959,000 (2009: HK$16,481,000) were pledged to secure general banking facilities granted to the Group (note 30).

17. GOODWILL

Group

	2010	2009
	HK$'000	HK$'000
At 1 January:		
Cost	**262,558**	262,558
Accumulated impairment	**(262,375)**	(246,716)
Net carrying amount	**183**	15,842
Cost at 1 January, net of accumulated impairment	**183**	15,842
Impairment during the year (note 6)	**—**	(15,659)
Net carrying amount at 31 December	**183**	183

17. GOODWILL (Continued)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Property investment cash-generating unit; and
- Cement products cash-generating unit.

Property investment cash-generating unit

As a result of the downturn in the property market in Vietnam, an impairment loss of HK$15,659,000 was charged to the income statement for the year ended 31 December 2009.

The impairment loss was provided based on the estimated recoverable amount of the property investment cash-generating unit, which was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections was 14% in 2009.

Cement products cash-generating unit

The recoverable amount of the cement products cash-generating unit was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections is 13% (2009: 10%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Group	
	2010	2009
	HK$'000	HK$'000
Property Investment	—	—
Cement products	**183**	183

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Key assumptions were used in the value in use calculation of the property investment and cement products cash-generating units for 31 December 2010 and 31 December 2009. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins — The budgeted gross margins have been determined based on past performance and management's expectations for the market performance.

Discount rates — The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**785,890**	785,890
Due from subsidiaries	**1,383,410**	1,401,257
Due to subsidiaries	**(1,218,918)**	(1,242,156)
	950,382	944,991
Provision for amounts due from subsidiaries	**(12,760)**	(6,588)
	937,622	938,403

The amounts due from/to subsidiaries are unsecured and interest-free, and are not repayable within one year. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Notes to Financial Statements

31 December 2010

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
Luks Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$2	**100**	100	Investment holding
Luks Industrial Company Limited*	Hong Kong	HK$168,048,482	**100**	100	Property investment and investment holding
Luks Industrial (Bao An) Company Limited*#	Mainland China	HK$39,000,000	**100**	100	Property investment
Luks Vietnam Company Limited*	British Virgin Islands/ Hong Kong	US$3	**100**	100	Investment holding
Luks Timber Investments Limited*	Hong Kong	HK$2	**100**	100	Investment holding
Luks Timber (Vietnam) Limited*	Vietnam	VND15,715,698,000	**100**	100	Manufacture and sale of plywood
Luks Cement Company Limited*	British Virgin Islands/ Hong Kong	US$50,000	**100**	100	Investment holding
Luks Cement (Vietnam) Limited*	Vietnam	VND751,329,773,000	**100**	100	Manufacture and sale of cement
Luks Land Company Limited*	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Luks Land (Vietnam) Limited*	Vietnam	VND193,639,051,000	**100**	100	Property investment and management

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2010	2009	Principal activities
Prime Wise Investments Limited*	Hong Kong/ Mainland China	HK$2	**100**	100	Property investment
Redmond Investments Limited*	Hong Kong/ Mainland China	HK$2	**100**	100	Property investment
Vigconic (International) Limited*	Hong Kong	HK$400,000	**75**	75	Manufacture and sale of traditional Chinese medicine products
Luks Land Development Limited*	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Luks Land Investments Limited*	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Sangor (Vietnam) Limited*	British Virgin Islands/ Hong Kong	US$1	**100**	100	Investment holding
Sangor (Vietnam) Company Limited*	Vietnam	US$9,935,427	**70**	70	Property Investment
Viet Lien Luks Company Limited*	Vietnam	VND1,334,000,000,000	**75**	75	Property development
Thanh Phat Agricultural Product and Plastic Company Limited*	Vietnam	VND35,000,000,000	**85**	85	Property development

* Held through subsidiaries

Registered as a wholly-foreign-owned enterprise under the PRC law

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

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net assets	**25,482**	24,630
Due to a jointly-controlled entity	**(21,654)**	(21,654)
	3,828	2,976

The amount due to a jointly-controlled entity is unsecured and interest-free, and has no fixed terms of repayment. The carrying amount of the amount due to the jointly-controlled entity approximates to its fair value.

Particulars of the jointly-controlled entity are as follows:

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

Held through a 68%-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entity:

	Group	
	2010	2009
	HK$'000	HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	**12,004**	11,385
Non-current assets	**32,162**	31,381
Current liabilities	**(17,484)**	(16,975)
Non-current liabilities	**(1,200)**	(1,161)
Net assets	**25,482**	24,630

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY (Continued)

	Group	
	2010	2009
	HK$'000	HK$'000
Share of a jointly-controlled entity's result:		
Revenue	**1,557**	620
Other income	**382**	792
	1,939	1,412
Total expenses	**(1,878)**	(1,389)
Tax	**(24)**	(22)
Profit after tax	**37**	1

20. INVESTMENTS IN ASSOCIATES

	Group	
	2010	2009
	HK$'000	HK$'000
Share of net liabilities	**(9,148)**	(4,506)
Loans to associates	**159,307**	150,644
	150,159	146,138
Provision for impairment	**(36,735)**	(34,759)
	113,424	111,379

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

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**34,759**	27,946
Impairment losses recognised (note 6)	**2,360**	7,144
Exchange realignment	**(384)**	(331)
At 31 December	**36,735**	34,759

The current year impairment loss provision was made as a result of continuing operating losses incurred by these associates.

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of equity attributable to the Group 2010	2009	Principal activity
Luks Electronic Company Limited	Ordinary shares of HK$100 each	Hong Kong	**40**	40	Investment holding
Luks Truong Son Limited Company	Ordinary shares of VND 1 each	Vietnam	**49**	49	Exploitation and sale of limestone, sand and clay
Luks An Limited Company	Ordinary shares of VND 1 each	Vietnam	**49**	49	Provision of transportation services
Luks Truong An Company Limited	Ordinary shares of VND 1 each	Vietnam	**49**	49	Exploitation and sale of puzolan and active minerals
Luks Hai Hoa Company Limited	Ordinary shares of VND 1 each	Vietnam	**49**	—	Sales of iron ore
Luks New Property Solution Company Limited#	Ordinary shares of USD 1 each	Mongolia	**51**	51	Property development

\# The Group owns 40% voting power in the board of directors of Luks New Property Solution Company Limited.

20. INVESTMENTS IN ASSOCIATES (Continued)

The associates are indirectly held through subsidiaries.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group had discontinued the recognition of its share of loss of Luks Electronic Company Limited because the Group's share of loss of this associate exceeded the Group's investment in the associate. The amounts of the Group's unrecognised share of loss of this associate for the current year and cumulatively were approximately HK$300 (2009: HK$260) and HK$11,271,860 (2009: HK$11,271,560), respectively.

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2010 HK$'000	2009 HK$'000
Assets	140,104	134,597
Liabilities	(187,293)	(173,992)
Loss after tax	(8,082)	(9,037)

21. PROPERTY FOR DEVELOPMENT

The property for development is situated in Vietnam and held under a medium-term lease.

22. INVENTORIES

	Group	
	2010 HK$'000	2009 HK$'000
Raw materials	29,298	26,215
Consumables	43,474	44,922
Work in progress	10,417	14,741
Finished goods	10,017	9,763
	93,206	95,641

23. TRADE RECEIVABLES

	Group 2010 HK$'000	2009 HK$'000
Trade receivables	**70,048**	54,942
Impairment	**(1,375)**	(1,518)
	68,673	53,424

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 end of the reporting period, based on the invoice date, and net of impairment, is as follows:

	Group 2010 HK$'000	2009 HK$'000
0 to 30 days	**41,535**	37,104
31 to 60 days	**11,597**	6,832
61 to 90 days	**3,782**	4,374
91 to 120 days	**3,222**	2,676
Over 120 days	**8,537**	2,438
	68,673	53,424

23. TRADE RECEIVABLES (Continued)

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

	Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**1,518**	287
Impairment losses recognised (note 6)	**65**	1,295
Amount written off as uncollectable	**(159)**	—
Exchange realignment	**(49)**	(64)
	1,375	1,518

The above provision for impairment of trade receivables represent provision for individually impaired trade receivables, which relate to customers that were in default. The Group does not hold any collateral or other credit enhancements over these balances.

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

	Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**53,132**	43,889
Less than 3 months past due	**9,486**	8,497
Over 3 months past due	**6,055**	1,038
	68,673	53,424

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

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

24. DEBT INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed debt investments — overseas	**1,094**	1,094	**1,094**	1,094

The above debt investments as at 31 December 2010 and 2009 were classified as held for trading.

25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**172,513**	220,591	**28,575**	126,212
Time deposits	**7,289**	74,481	**7,289**	74,481
	179,802	295,072	**35,864**	200,693
Less: Pledged time deposits for general bank facilities	**—**	(25,007)	**—**	(25,007)
Cash and cash equivalents	**179,802**	270,065	**35,864**	175,686

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") and Vietnamese dong ("VND") amounted to approximately HK$3,697,000 (2009: HK$3,668,000) and HK$28,047,000 (2009: HK$25,071,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND for other currencies through banks authorised to conduct foreign exchange business.

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

26. TRADE PAYABLES

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

	Group	
	2010	2009
	HK$'000	HK$'000
0 to 30 days	**17,930**	28,475
31 to 60 days	**6,408**	4,063
61 to 90 days	**3,974**	5,242
91 to 120 days	**399**	248
Over 120 days	**24,983**	13,150
	53,694	51,178

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

Included in the trade payables is an amount of HK$5,613,000 due to associates as at 31 December 2010 (2009: HK$1,952,000), which is non-interest-bearing and is normally settled on term of 60 days.

27. DUE TO DIRECTORS

The amounts due to directors are unsecured and interest-free, and have no fixed terms of repayment. The carrying amounts of the amounts due to directors approximate to their fair values.

28. DUE TO A RELATED COMPANY

The amount due to a related company is unsecured and interest-free, and is repayable on demand. The carrying amount of the amount due to a related company approximates to its fair value.

29. DERIVATIVE FINANCIAL INSTRUMENTS

Group

	Assets		Liabilities	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Interest rate swaps	**—**	—	**—**	6,379

The carrying amounts of interest rate swaps are the same as their fair values.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

	31 December 2010			31 December 2009			1 January 2009	
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%) (Restated)	Maturity (Restated)	HK$'000 (Restated)	Maturity (Restated)	HK$'000 (Restated)
Current								
Finance lease payables (note 31)		**2011**	**553**		2010	611	2009	318
Bank loans secured	**13.5-18.5**	**2011**	**158,337**	10.2-12.5	2010	148,068	2009	104,991
Current portion of long term bank loans — secured	**1.57-15.42**	**2011**	**61,850**	1.25-15.95	2010	86,416	2009	77,239
Long term bank loans with an on demand clause — secured (Note)	**1.57-15.42**	**on demand**	**72,926**	1.25-15.95	on demand	94,410	on demand	120,758
			293,666			329,505		303,306
Non-current								
Finance lease payables (note 31)		**2012-2013**	**1,060**		2011-2013	1,613	2010-2011	93
Bank loans — secured	**5.42-15.3**	**2012-2014**	**109,542**	2.56-15.95	2011-2014	144,048	2010-2014	174,350
			110,602			145,661		174,443
			404,268			475,166		477,749

	Group	
	2010	2009
	HK$'000	HK$'000 (Restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note)	**293,113**	328,894
In the second year	**34,198**	34,262
In the third to fifth years, inclusive	**75,344**	109,786
	402,655	472,942
Other borrowings repayable:		
Within one year	**553**	611
In the second year	**553**	553
In the third to fifth years, inclusive	**507**	1,060
	1,613	2,224
	404,268	475,166

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Group (Continued)

Note: As further explained in notes 2.2(b) to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Group's term loan in the amount of HK$72,926,000 (2009: HK$94,410,000) with an on demand clause has been reclassified as a current liability, and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the above term loan, the amounts repayable in respect of the loan are: HK$27,651,000 (HK$45,350,000) payable in second year and HK$45,275,000 (2009: HK$49,060,000) payable in the third to fifth years, inclusive.

Company

	31 December 2010	31 December 2009			1 January 2009	
	HK$'000	Effective interest rate (%) (Restated)	Maturity (Restated)	HK$'000 (Restated)	Maturity (Restated)	HK$'000 (Restated)
Current						
Current portion of long term bank loans						
— secured	—	HIBOR + 0.8 to 1.75	2010	32,029	2009	21,313
Long term bank loans with an on demand clause						
— secured (Note a)	—	HIBOR + 0.8 to 1.75	on demand	41,161	on demand	43,389
	—			73,190		64,702

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Company (Continued)

	Company	
	2010	2009
	HK$'000	HK$'000
		(Restated)
Analysed into:		
Bank loans repayable:		
Within one year or on demand (Note a)	—	73,190

Notes:

(a) As further explained in notes 2.2(b) to the financial statements, due to the adoption of HK Interpretation 5 in the current year, the Company's term loan in the amount of HK$41,161,000 as at 31 December 2009 with an on-demand clause has been reclassified as a current liability, and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the above term loan, the amounts repayable in respect of the loan are: HK$27,725,000 payable in the second year and HK$13,436,000 in the third to fifth years, inclusive.

(b) At the end of the reporting period, the following assets were pledged to secure the above bank loans and general banking facilities granted to the Group were:

(i) certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net carrying amount of approximately HK$37,363,000 (2009: HK$38,190,000);

(ii) certain of the Group's prepaid land lease payments situated in Vietnam with an aggregate net carrying amount of approximately HK$14,959,000 (2009: HK$16,481,000);

(iii) certain of the Group's investment properties situated in Hong Kong with an aggregate carrying amount of approximately HK$166,000,000 (2009: HK$141,000,000);

(iv) certain of the Group's plant and machinery with an aggregate net carrying amount of approximately HK$688,983,000 (2009: HK$858,210,000);

(v) certain of the Group's motor vehicles with an aggregate net carrying amount of approximately HK$6,546,000 (2009: Nil);

(vi) certain of the Group's vessels with an aggregate net carrying amount of approximately HK$17,212,000 (2009: Nil); and

(vii) certain of the Group's time deposits amounting to HK$25,007,000 as at 31 December 2009.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Continued)

Company (Continued)

Notes: (Continued)

(c) The secured bank loans are denominated in Hong Kong dollars, Vietnamese dong and United States dollars with aggregate amounts of HK$49,987,000 (2009: HK$75,690,000), HK$220,810,000 (2009: HK$234,262,000) and HK$131,858,000 (2009: HK$162,990,000) respectively.

(d) Other interest rate information:

	Group	
	2010	2009
	HK$'000	HK$'000
Fixed rate:		
Finance lease payables	**1,613**	2,224
Bank loans — secured	**158,337**	148,068
	159,950	150,292
Floating rate:		
Bank loans — secured	**244,318**	324,874
	404,268	475,166

The carrying amounts of the Group's bank borrowings approximate to their fair values.

31. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms from one to three years.

At 31 December 2010, the total future minimum lease payments under the finance lease and their present values were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**677**	742	**553**	611
In the second year	**677**	677	**553**	553
In the third to fifth years, inclusive	**621**	1,298	**507**	1,060
Total minimum finance lease payments	**1,975**	2,717	**1,613**	2,224
Future finance charges	**(362)**	(493)		
Total net finance lease payables	**1,613**	2,224		
Portion classified as current liabilities (note 30)	**(553)**	(611)		
Non-current portion (note 30)	**1,060**	1,613		

32. PROVISIONS

Group

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2010	4,125	694	4,819
Additional provision	28	412	440
Amount utilised during the year	(47)	—	(47)
Exchange realignment	—	(42)	(42)
At 31 December 2010	4,106	1,064	5,170

Company

	Long service payments HK$'000	Total HK$'000
At 1 January 2010	3,531	3,531
Additional provision	18	18
At 31 December 2010	3,549	3,549

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

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

33. DEFERRED TAX

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

Deferred tax liabilities

Group

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
2010			
At 1 January 2010	**20,564**	**209,750**	**230,314**
Deferred tax credited to the income statement during the year (note 10)	**(5,756)**	**(1,962)**	**(7,718)**
Exchange realignment	**(817)**	**(9,193)**	**(10,010)**
Deferred tax liabilities at 31 December 2010	**13,991**	**198,595**	**212,586**
2009			
At 1 January 2009	22,945	219,836	242,781
Deferred tax charged/(credited) to the income statement during the year (note 10)	(1,194)	20,262	19,068
Exchange realignment	(1,187)	(30,348)	(31,535)
Deferred tax liabilities at 31 December 2009	20,564	209,750	230,314

The Group has tax losses arising in Hong Kong of approximately HK$592,072,000 (2009: HK$547,845,000) that are available indefinitely and in Vietnam of approximately HK$28,399,000 (2009: HK$25,899,000) that are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time, and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

33. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

At 31 December 2010, there was no significant unrecognised deferred tax liability (2009: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries, associates or jointly-controlled entity, as the Group has no liability to additional tax should such amounts be remitted.

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

34. SHARE CAPITAL

	2010 **HK$'000**	2009 HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
511,393,418 ordinary shares of HK$0.01 each	**5,114**	5,114

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

	Number of shares in issue	**Issued capital HK$'000**
At 1 January 2009	514,953,418	5,150
Share options exercised	200,000	2
Repurchase of shares	(3,760,000)	(38)
At 31 December 2009, 1 January 2010 and 31 December 2010	511,393,418	5,114

During 2009 , the subscription rights attached to 200,000 share options were exercised at the subscription price of HK$1.21 per share, resulting in the issue of 200,000 shares of HK$0.01 each for a total cash consideration of HK$242,000.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 35 to the financial statements.

35. 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 issue 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 or with an aggregate value (based on the price of the Company's shares at the date of 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 one to three 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 highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (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.

35. SHARE OPTION SCHEME (Continued)

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

Name or category of participant	At 1 January 2010	Granted during the year	Exercised during the year	Expired during the year	Forfeited during the year	At 31 December 2010	Date of grant of share options*	Exercise period of share options	Price of the Company's shares: Exercise price of share options** HK$	Price of the Company's shares: At grant date of option HK$
Employees										
In aggregate	750,000	—	—	—	—	750,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19
	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	1-2-2008 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
	100,000	—	—	—	—	100,000	5-8-2008	5-8-2009 to 18-5-2011	4.34	4.16
	5,320,000	—	—	—	—	5,320,000				

Notes to the share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period and subject to the exercise conditions of completion of services 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.

No share options were granted during the year. During the year, the Group recognised a share option expense of HK$277,000 (2009: HK$1,514,000) which included HK$17,000 and HK$260,000 recognised from the share options granted in 2008 and 2007, respectively.

No share options were exercised during the year.

The 200,000 share options exercised during the year 2009 resulted in the issue of 200,000 ordinary shares of the Company and new share capital of HK$2,000 and share premium of HK$267,000, as further detailed in note 36 to the financial statements.

At 31 December 2010, the Company had 5,320,000 (2009: 5,320,000) share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 5,320,000 additional ordinary shares of the Company and additional share capital of HK$53,200 and share premium of HK$31,225,900 (before share issue expenses).

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 27 to 28 of the financial statements.

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

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's jointly-controlled entity which is established in the PRC has been transferred to reserve funds which may only be utilised by the Group in accordance with the relevant legislation.

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2009		757,648	414,001	8,299	598	(61,869)	30,684	1,149,361
Equity-settled share option arrangements	35	—	—	1,514	—	—	—	1,514
Issue of shares		267	—	(27)	—	—	—	240
Repurchase of shares		(8,289)	—	—	38	(38)	—	(8,289)
Loss for the year		—	—	—	—	(35,529)	—	(35,529)
Final 2008 dividend declared		—	—	—	—	—	(30,684)	(30,684)
Interim 2009 dividend	12	—	(23,013)	—	—	—	—	(23,013)
Proposed final 2009 dividend	12	—	(30,684)	—	—	—	30,684	—
At 31 December 2009		749,626	360,304	9,786	636	(97,436)	30,684	1,053,600
Equity-settled share option arrangements	35	—	—	277	—	—	—	277
Loss for the year		—	—	—	—	(41,902)	—	(41,902)
Final 2009 dividend declared		—	—	—	—	—	(30,684)	(30,684)
Interim 2010 dividend	12	—	(20,456)	—	—	—	—	(20,456)
Proposed final 2010 dividend	12	—	(10,228)	—	—	—	10,228	—
At 31 December 2010		749,626	329,620	10,063	636	(139,338)	10,228	960,835

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired by the Company over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

37. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2009, the Group acquired an 85% interest in Thanh Phat Agricultural Product and Plastic Company Limited ("Thanh Phat") which principally holds property for development. The acquisition has been accounted for by the Group as acquisition of assets as the entity acquired by the Group does not constitute a business.

The fair values of the identifiable assets and liabilities of Thanh Phat as at the date of acquisition were as follows:

	Fair value recognised on acquisition 2009 HK$'000
Property for development	34,974
Cash and bank balances	113
Other receivables	9
Other payables	(362)
Non-controlling interests	(5,219)
	29,515
Satisfied by cash	29,515

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2009 HK$'000
Cash consideration	(29,515)
Cash and bank balances acquired	113
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	(29,402)

38. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) During the year ended 31 December 2009, the Group entered into a finance lease arrangement in respect of motor vehicles with a capital value at the inception of the lease of HK$2,489,000.

(b) During the year ended 31 December 2009, the Group purchased items of property, plant and equipment of HK$72,220,000, with a payable classified in other payables as at 31 December 2009. The balance is unsecured, interest-free and repayable on demand.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) 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 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**105,393**	74,540
In the second to fifth years, inclusive	**93,418**	37,418
	198,811	111,958

39. OPERATING LEASE ARRANGEMENTS (Continued)

(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 from two to fifty years.

At 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2010 **HK$'000**	2009 HK$'000
Within one year	**1,186**	785
In the second to fifth years, inclusive	**3,543**	3,798
After five years	**22,779**	23,743
	27,508	28,326

40. COMMITMENTS

In addition to the operating lease arrangements detailed in note 39(b) above, the Group had the following capital commitments at the end of the reporting period:

	2010 **HK$'000**	2009 HK$'000
Contracted, but not provided for:		
Land	**219,547**	231,083
Property, plant and equipment	**9,193**	88,611
Property for development	**833**	—
	229,573	319,694
Authorised, but not contracted for:		
Property for development	**40,664**	—
Contracted, but not provided for:		
Capital contribution payable to associates	**933**	—
Authorised, but not contracted for:		
Capital contribution payable to a proposed joint venture	**—**	1,900
	271,170	321,594

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

41. RELATED PARTY TRANSACTIONS

(a) In addition to the balances and transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the reporting period:

	Note	**2010** **HK$'000**	2009 HK$'000
Associates:			
Purchases of raw materials	(i)	**36,946**	24,831
Distribution charges	(i)	**11,114**	15,851
Interest income	(i)	**824**	4,173

Note:

(i) These related party transactions were conducted in accordance with terms and conditions mutually agreed by the parties.

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

	2010 **HK$'000**	2009 HK$'000
Short term employee benefits	**12,725**	12,716
Post-employment benefits	**36**	36
Total compensation paid to key management personnel	**12,761**	12,752

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

42. CONTINGENT LIABILITIES

At the end of the reporting period, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2010 **HK$'000**	2009 HK$'000	**2010** **HK$'000**	2009 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**—**	—	**364,200**	362,418

The Company has executed guarantees totalling HK$364,200,000 (2009: HK$362,418,000) with respect to banking facilities made available to its subsidiaries, of which HK$194,184,000 (2009: HK$187,188,000) were utilised as at 31 December 2010.

43. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2010

Financial assets

	Group		
	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Investments in associates (note 20)	—	122,572	122,572
Trade receivables	—	68,673	68,673
Financial assets included in prepayments, deposits and other receivables	—	5,448	5,448
Debt investments at fair value through profit or loss	1,094	—	1,094
Cash and cash equivalents	—	179,802	179,802
	1,094	376,495	377,589

Financial liabilities

	Group
	Financial liabilities at amortised cost HK$'000
Due to a jointly-controlled entity (note 19)	21,654
Trade payables	53,694
Financial liabilities included in other payables and accruals	88,198
Due to directors	75
Due to a related company	4,344
Interest-bearing bank and other borrowings (note 30)	404,268
Rental deposits	23,051
	595,284

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2009

Financial assets

	Group		
	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Investments in associates (note 20)	—	115,885	115,885
Trade receivables	—	53,424	53,424
Financial assets included in prepayments, deposits and other receivables	—	18,744	18,744
Debt investments at fair value through profit or loss	1,094	—	1,094
Pledged deposits	—	25,007	25,007
Cash and cash equivalents	—	270,065	270,065
	1,094	483,125	484,219

Financial liabilities

	Group		
	Financial Liabilities at fair value through profit or loss — held for trading HK$'000	Financial liabilities at amortised cost HK$'000	Total HK$'000
Due to a jointly-controlled entity (note 19)	—	21,654	21,654
Trade payables	—	51,178	51,178
Financial liabilities included in other payables and accruals	—	133,646	133,646
Due to directors	—	71	71
Due to a related company	—	3,350	3,350
Interest-bearing bank and other borrowings (note 30)	—	475,166	475,166
Rental deposits	—	22,826	22,826
Derivative financial instruments	6,379	—	6,379
	6,379	707,891	714,270

43. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial assets

	Company					
	2010			2009		
	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000	Financial assets at fair value through profit or loss — held for trading HK$'000	Loans and receivables HK$'000	Total HK$'000
Investments in subsidiaries (note 18)	—	1,370,650	1,370,650	—	1,394,669	1,394,669
Debt investments at fair value through profit or loss	1,094	—	1,094	1,094	—	1,094
Pledged deposits	—	—	—	—	25,007	25,007
Cash and cash equivalents	—	35,864	35,864	—	175,686	175,686
	1,094	1,406,514	1,407,608	1,094	1,595,362	1,596,456

Financial liabilities

	Company	
	2010	2009
	Financial liabilities at amortised cost HK$'000	Financial liabilities at amortised cost HK$'000
Due to subsidiaries (note 18)	1,218,918	1,242,156
Financial liabilities included in other payables and accruals	5,110	5,260
Interest-bearing bank borrowings (note 30)	—	73,190
Due to directors	75	71
	1,224,103	1,320,677

44. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: fair values measured based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: fair values measured based on valuation techniques for which any inputs which have a significant effect on the recorded fair value are not based on observable market data (unobservable inputs)

Assets measured at fair value:

Group and Company

As at 31 December 2010 and 31 December 2009:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Debt investments at fair value through profit or loss	1,094	—	—	1,094

Liabilities measured at fair value:

Group

The Group did not have any financial liabilities measured at fair value as at 31 December 2010.

As at 31 December 2009:

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Derivative financial instruments	—	6,379	—	6,379

44. FAIR VALUE HIERARCHY (Continued)

Group (Continued)

The Company did not have any financial liabilities carried at fair value as at 31 December 2010 and 31 December 2009.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2009: Nil).

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Interest rate risk (Continued)

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

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax HK$'000
2010		
Hong Kong dollar	**100**	**(500)**
Vietnamese dong	**100**	**(625)**
United States dollar	**100**	**(1,319)**
Hong Kong dollar	**(100)**	**500**
Vietnamese dong	**(100)**	**625**
United States dollar	**(100)**	**1,319**
2009		
Hong Kong dollar	100	(757)
Vietnamese dong	100	(862)
United States dollar	100	(2,250)
Hong Kong dollar	(100)	757
Vietnamese dong	(100)	862
United States dollar	(100)	2,250

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Foreign currency risk

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

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

	Increase/ (decrease) in Vietnamese dong rate %	Increase/ (decrease) in profit before tax HK$'000
2010		
If Hong Kong dollar weakens against Vietnamese dong	**1**	**4,075**
If Hong Kong dollar strengthens against Vietnamese dong	**(1)**	**(4,075)**
2009		
If Hong Kong dollar weakens against Vietnamese dong	1	4,670
If Hong Kong dollar strengthens against Vietnamese dong	(1)	(4,670)

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

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

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

Liquidity risk

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

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

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

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

(a) **Group**

	2010					
	On demand	Less than 12 months	Less than 2 years	3 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	—	53,694	—	—	—	53,694
Financial liabilities included in other payables and accruals	—	88,198	—	—	—	88,198
Due to directors	75	—	—	—	—	75
Due to a jointly-controlled entity	21,654	—	—	—	—	21,654
Due to a related company	4,344	—	—	—	—	4,344
Interest-bearing bank and other borrowings	84,680	250,865	42,002	82,759	—	460,306
Rental deposits	—	—	6,804	15,493	754	23,051
	110,753	392,757	48,806	98,252	754	651,322

	2009					
	On demand	Less than 12 months	Less than 2 years	3 to 5 years	Over 5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Trade payables	—	51,178	—	—	—	51,178
Financial liabilities included in other payables and accruals	—	133,646	—	—	—	133,646
Due to directors	71	—	—	—	—	71
Due to a jointly-controlled entity	21,654	—	—	—	—	21,654
Due to a related company	3,350	—	—	—	—	3,350
Interest-bearing bank and other borrowings	122,686	247,808	37,025	123,259	—	530,778
Derivative financial instruments	—	6,379	—	—	—	6,379
Rental deposits	—	—	8,153	13,666	1,007	22,826
	147,761	439,011	45,178	136,925	1,007	769,882

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

(b) Company

	2010					
		Less than	Less than	3 to 5	Over	
	On demand	12 months	2 years	years	5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to subsidiaries	—	—	—	—	1,218,918	1,218,918
Financial liabilities included in other payables and accruals	—	5,110	—	—	—	5,110
Due to directors	75	—	—	—	—	75
Guarantees given to banks in connection with facilities granted to subsidiaries	194,184	—	—	—	—	194,184
	194,259	5,110	—	—	1,218,918	1,418,287

	2009					
		Less than	Less than	3 to 5	Over	
	On demand	12 months	2 years	years	5 years	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Due to subsidiaries	—	—	—	—	1,242,156	1,242,156
Financial liabilities included in other payables and accruals	—	5,260	—	—	—	5,260
Due to directors	71	—	—	—	—	71
Interest-bearing bank borrowings	42,839	32,627	—	—	—	75,466
Guarantees given to banks in connection with facilities granted to subsidiaries	187,188	—	—	—	—	187,188
	230,098	37,887	—	—	1,242,156	1,510,141

45. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 2009.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. The Group's policy is to maintain the gearing ratio between 5% and 20%. Capital represents equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2010 HK$'000	2009 HK$'000
Interest-bearing bank and other borrowings	**404,268**	475,166
Trade payables	**53,694**	51,178
Other payables and accruals	**108,880**	168,363
Due to a jointly-controlled entity	**21,654**	21,654
Due to directors	**75**	71
Due to a related company	**4,344**	3,350
Rental deposits	**23,051**	22,826
Less: Cash and cash equivalents	**(179,802)**	(270,065)
Net debt	**436,164**	472,543
Equity attributable to owners of the parent	**2,130,015**	2,203,116
Capital and net debt	**2,566,179**	2,675,659
Gearing ratio	**17%**	18%

46. COMPARATIVE AMOUNTS

As further explained in note 2.2 to the financial statements, due to the adoption of new and revised HKFRSs during the current year, the presentation of certain items and balances in the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation, and a third statement of financial position as at 1 January 2009 has been presented.

47. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2011.

Particulars of Investment Properties

31 December 2010

Location	Use	Tenure	Attributable interest of the Group
Store Rooms 4, 5 and 6 on Upper Basement Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
G/F. to 13/F., Luks Industrial Building, Tuen Mun Town Lot No. 145, No. 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong	Industrial building for rental	Medium-term leases	100%
Flat A2, 3/F., Flat B, 4/F., Flat C, 7/F. and Flats A1 & A2, 9/F., Cheong Wah Factory Building, No. 39 - 41 Sheung Heung Road and No. 60 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Long-term leases	100%
Workshops E2 & F2, 7/F., Hang Fung Industrial Building, Phase II, No. 2G Hok Yuen Street East, Hung Hom, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
The whole block of Luks Industrial Building and Dormitory, Xinan 3rd Road, Xinanban Zone No. 28, Bao An Area, Shenzhen, the PRC	Industrial and residential building for rental	Short-term leases	100%
1st and 2nd Floors of the Dormitory, 2nd of 05A, Area 33, Bao An Area, Shenzhen, the PRC	Residential building for rental	Short-term leases	100%
Saigon Trade Centre, No. 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam	Commercial building for rental	Medium-term leases	100%
Flats 101, 104-106, 204-206, 304-306, 403-406, 503-506, 604-606, 704-706 and 803-806, Block 3, Mandarin City, Gubei, Shanghai, the PRC	Residential building for rental	Long-term leases	100%

Particulars of Property for Development

31 December 2010

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

Five Year Financial Summary

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

RESULTS

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**44,057**	104,751	309,753	299,902	198,251
Attributable to:					
Owners of the parent	**45,377**	107,055	312,384	302,640	200,343
Non-controlling interests	**(1,320)**	(2,304)	(2,631)	(2,738)	(2,092)
	44,057	104,751	309,753	299,902	198,251

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,986,708**	3,201,064	3,144,138	2,877,837	1,594,045
TOTAL LIABILITIES	**(860,830)**	(1,000,348)	(940,737)	(622,122)	(375,330)
NON-CONTROLLING INTERESTS	**4,137**	2,400	5,315	4,070	2,092
	2,130,015	2,203,116	2,208,716	2,259,785	1,220,807