



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

Stock Code : 0366

陸氏

INTERIM REPORT  
2011

# CONTENTS

	Pages
<b>MANAGEMENT DISCUSSION AND ANALYSIS</b>	
Business Review and Prospects	2
Financial Review	4
<b>INTERIM FINANCIAL STATEMENTS</b>	
Condensed Consolidated Income Statement	5
Condensed Consolidated Statement of Comprehensive Income	6
Condensed Consolidated Statement of Financial Position	7
Condensed Consolidated Statement of Changes in Equity	9
Condensed Consolidated Statement of Cash Flows	10
<b>NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</b>	11
<b>OTHER INFORMATION</b>	25



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND PROSPECTS

For the first half of 2011, Vietnam recorded a GDP growth rate of 5.6%, a decline of approximately 0.5% as compared to the same period of last year. Vietnam's economic situation did not show much improvement during the period as compared to the year end of 2010. Vietnam's government principally focused in curbing the rocketed inflation rate during the period. As at 30 June 2011, the inflation rate still stood as high as 16% when comparing to the same period of last year. The government adopted a series of tightened measures including the repeatedly raising of interest rates by the central bank and the cutting of public expenditures in a large extent. In general, the lending rate was over 20% throughout the period. As a result, economic and investing activities were obviously slowing down in Vietnam.

On the other hand, being affected by the increasing trade deficit, Vietnamese Dong ("VND") to USD was depreciated for approximately 6% during the period, which thus added pressure to the already weakening investors' confidence over the economy. According to figures of the Vietnam Ministry of Planning and Investment, Vietnam recorded approximately US\$5.67 billion foreign direct investment ("FDI") in the first half of 2011, which was equal to only about 62.7% of the same period last year. Under the current harsh economic conditions, the Group's principal investments in Vietnam, namely cement business and office leasing business were going through a tough period of time. Only until the inflationary pressure is alleviated with lower interest rates, then the economic and investing activities will recover consequently. Although the economy is still expected to suffer from fluctuations in short term, the Group is still optimistic to mid and long term development of the Vietnam's economy.

For the six-month period ended 30 June 2011, the Group recorded a turnover of HK\$401,916,000, representing a decrease of 2.6% as compared to HK\$412,560,000 for the corresponding period of last year. Main sources of the Group's turnover came from its cement business and property investment business. The cement business recorded a turnover of HK\$332,741,000, representing a decrease of 6.3% as compared to that of last year. While the property investment business recorded a turnover of HK\$64,929,000, representing an increase of 22% as compared to that of last year.

The unaudited consolidated net profit from ordinary activities attributable to shareholders for the first half of 2011 was HK\$28,595,000, representing an increase of 44% as compared to HK\$19,857,000 for the same period in 2010.

### Cement Business

For the first half of 2011, the Group's cement plant in Vietnam recorded total sales of 962,000 tonnes of cement, representing a decrease of 10.6% as compared to the same period of last year. The drop was mainly attributable to a decrease in demand of cement in the Vietnam's market as a result of the government tightening measures which led to the overall slowdown of construction and infrastructure development in the country.

On the production aspect, most costs of production rose in general along with the hiking inflation rate. Comparing to the same period of last year, cost of coal increased 40% whereas other raw materials like electricity, bauxite and gypsum increased for about 20%. Fortunately, the Group managed to increase its average cement price by about 22% during the period, which could mostly cover the costs increased.

# MANAGEMENT DISCUSSION AND ANALYSIS

Yet on the other hand, financial expenses increased substantially as a result of the surging lending rate, and together with the depreciation of VND during the period, the profit of the Group's cement plant was mostly eroded for the period. The Group's cement plant was merely able to achieve a breakeven for its profit and loss after interest and tax during the period, comparing to a profit of HK\$3,587,000 for the corresponding period of last year.

Foreseeing the second half of the year, the government is expecting the inflation rate to be stabilized and interest rates to be lowered a bit, especially in the fourth quarter of the year. However, under the current harsh economic environment, the cement plant is still facing tough challenges from the high inflation rate, weak demand and a possibility of further depreciation of the VND. Thus, it is expected that the operating environment of the Group's cement plant will still be tough for the second half of the year.

## Saigon Trade Centre and Other investment properties

For the first half of 2011, Vietnam recorded only approximately US\$5.67 billion of FDI, significantly less than the same period of last year. In the office leasing market, both demand and supply of office spaces in Hochiminh City grew modestly during the period. As a result of the credit squeeze, high financial cost and surging construction cost in Vietnam, development of new office buildings were slowed down and new projects were reduced dramatically, which may thus affect new supply of office spaces for the next few years.

The occupancy rate of the Group's Saigon Trade Centre was seen recovering to 79% as at 30 June 2011, as compared to 76% and 75% respectively for 31 December 2010 and 30 June 2010, whereas the average rental rate remained flat as compared to the end of last year. The profit attributable to the Group from the Saigon Trade Centre increased for about 15% as compared to the same period of last year. It is estimated that both the occupancy rate and the total rental income of the Saigon Trade Centre will continue to grow slightly in the second half of the year.

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

## Property Development

With the interest rates escalating to over 20% and other tightened measures of the government, markets for property development and property transactions came into stagnant during the period.

For the Group's residential project in Binh Thanh District of Hochiminh City, construction is expected to start by the end of this year. First phase of the project comprises of 240 units of apartment in two blocks. Yet, the Group will also adjust its pace of development to the market conditions and full speed construction is not expected until the property market becomes more clear and stable.

On the other hand, seeing a strong rebound of the Mongolia's economy in the period, the Group decided to accelerate the pace of its residential property development project in Ulaanbaatar. The first phase comprising of 20 units of independent villa and townhouse with a total GFA of about 7,600 square meters has been under construction. The completion date is expected to be at the end of October 2012. The Group plans to launch the pre-sale by the fourth quarter of this year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Traditional Chinese Medicine (TCM) Business

During the period, the TCM business recorded an operating loss before non-controlling interest of HK\$758,000, representing a decrease of 51% as compared to the operating loss of HK\$1,546,000 for the same period of last year.

## Dividend

The board of directors resolved to declare an interim dividend of HK 2 cents per share to the shareholders.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2011 amounted to HK\$174,842,000 (as at 31 December 2010: HK\$179,802,000). The Group's total borrowings amounted to HK\$356,904,000 (as at 31 December 2010: HK\$404,268,000), of which HK\$271,042,000 was repayable within 1 year and HK\$85,862,000 repayable over 1 year. The percentage of the Group's borrowings denominated in HK\$, US\$ and Vietnamese Dong ("VND") were 12.9%, 28.1% and 59% respectively.

The gearing ratio, which is net debt divided by the capital plus net debt, was 16% as at 30 June 2011 (as at 31 December 2010:17%).

### Employees and Remuneration Policy

As at 30 June 2011, the Group had approximately 1,670 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$26,500,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2010.

### Details of charges

As at 30 June 2011, the Group has pledged certain fixed assets at a net book value of HK\$837,332,000 and certain investment properties at a carrying value of HK\$166,000,000 to secure banking facilities.

### Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The high interest deviation between VND and USD is also a barrier for setting up an effective hedging for the VND devaluation. The exchange rate of VND to USD recorded a devaluation of 6% as at 30 June 2011 when compared to the rate as at 31 December 2010. The Group suffered an exchange loss of HK\$13,996,000 during the period. The Group's measures to minimize its exposure to the risk have not been changed from those disclosed on its annual report for the year ended 31 December 2010.

### Details of contingent liabilities

As at 30 June 2011, the Group had no significant contingent liabilities (31 December 2010: Nil).

# INTERIM FINANCIAL STATEMENTS

## INTERIM RESULTS

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited interim condensed consolidated financial statements of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2011, together with the comparative figures for the corresponding period in 2010. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

## CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2011

	Notes	For the six months ended 30 June	
		2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
REVENUE	3	401,916	412,560
Cost of sales		(268,303)	(267,641)
Gross profit		133,613	144,919
Other income and gains	3	2,866	8,799
Selling and distribution costs		(21,484)	(28,426)
Administrative expenses		(32,209)	(50,751)
Other expenses		(14,048)	(17,833)
Finance costs	4	(21,794)	(17,517)
Share of profits and losses of a jointly-controlled entity		37	140
Share of profits and losses of associates		162	(1,557)
PROFIT BEFORE TAX	5	47,143	37,774
Income tax expense	6	(18,898)	(19,091)
PROFIT FOR THE PERIOD		28,245	18,683
ATTRIBUTABLE TO:			
Owners of the parent		28,595	19,857
Non-controlling interests		(350)	(1,174)
		28,245	18,683
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	7		
Basic		HK5.6 cents	HK3.9 cents
Diluted		HK5.6 cents	HK3.9 cents

Details of the dividends are disclosed in note 8 to the interim condensed consolidated financial statements.



# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011	2010
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<b>28,245</b>	18,683
OTHER COMPREHENSIVE LOSS:		
Exchange differences on translation of foreign operations	<b>(86,459)</b>	(38,211)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<b>(86,459)</b>	(38,211)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<b>(58,214)</b>	(19,528)
Attributable to:		
Owners of the parent	<b>(57,619)</b>	(20,822)
Non-controlling interests	<b>(595)</b>	1,294
	<b>(58,214)</b>	(19,528)

# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>929,326</b>	1,010,914
Investment properties		<b>1,241,032</b>	1,286,704
Prepaid land lease payments		<b>15,441</b>	17,741
Goodwill		<b>183</b>	183
Investment in a jointly-controlled entity		<b>4,411</b>	3,828
Investments in associates		<b>95,044</b>	113,424
Deposits		<b>131,612</b>	138,331
<b>Total non-current assets</b>		<b>2,417,049</b>	2,571,125
<b>CURRENT ASSETS</b>			
Property for development		<b>34,770</b>	36,552
Inventories		<b>101,204</b>	93,206
Trade receivables	9	<b>93,197</b>	68,673
Prepayments, deposits and other receivables		<b>34,828</b>	36,256
Debt investments at fair value through profit or loss		<b>1,094</b>	1,094
Cash and cash equivalents		<b>174,842</b>	179,802
<b>Total current assets</b>		<b>439,935</b>	415,583
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>52,668</b>	53,694
Other payables and accruals		<b>105,601</b>	121,850
Due to directors		<b>75</b>	75
Due to a related company		<b>4,344</b>	4,344
Interest-bearing bank and other borrowings		<b>271,042</b>	293,666
Tax payable		<b>38,764</b>	35,792
<b>Total current liabilities</b>		<b>472,494</b>	509,421
<b>NET CURRENT LIABILITIES</b>		<b>(32,559)</b>	(93,838)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,384,490</b>	2,477,287





# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 June 2011

	Notes	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<b>2,384,490</b>	2,477,287
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		<b>85,862</b>	110,602
Rental deposits		<b>20,079</b>	23,051
Provisions		<b>5,100</b>	5,170
Deferred tax liabilities		<b>215,299</b>	212,586
Total non-current liabilities		<b>326,340</b>	351,409
Net assets		<b>2,058,150</b>	2,125,878
EQUITY			
Equity attributable to owners of the parent			
Issued capital	11	<b>5,120</b>	5,114
Reserves		<b>2,057,762</b>	2,114,673
Proposed final dividend		<b>-</b>	10,228
Non-controlling interests		<b>2,062,882</b> <b>(4,732)</b>	2,130,015 (4,137)
Total equity		<b>2,058,150</b>	2,125,878

# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital (Unaudited) HK\$'000	Share		Share option reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Total		
		premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) HK\$'000									
At 1 January 2011	5,114	749,626	481,310	10,063	636	(278,120)	1,151,158	10,228	2,130,015	(4,137)	2,125,878	
2010 final dividend paid	-	-	(12)	-	-	-	-	(10,228)	(10,240)	-	(10,240)	
Profit for the period	-	-	-	-	-	-	28,595	-	28,595	(350)	28,245	
Other comprehensive loss for the period	-	-	-	-	-	(86,214)	-	-	(86,214)	(245)	(86,459)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(86,214)	28,595	-	(57,619)	(595)	(58,214)	
Exercise of share options	6	801	-	(81)	-	-	-	-	726	-	726	
Transfer of share option reserve upon the expiry of share options	-	-	-	(9,982)	-	-	9,982	-	-	-	-	
At 30 June 2011	5,120	750,427*	481,298*	-*	636*	(364,334)*	1,189,735*	-	2,062,882	(4,732)	2,058,150	

\* These reserve accounts comprise the consolidated reserves of approximately HK\$2,057,762,000 in the condensed consolidated statement of financial position as at 30 June 2011.

	Attributable to owners of the parent										Non-controlling interests	Total equity
	Issued capital (Unaudited) HK\$'000	Share		Share option reserve (Unaudited) HK\$'000	Capital redemption reserve (Unaudited) HK\$'000	Exchange fluctuation reserve (Unaudited) HK\$'000	Retained profits (Unaudited) HK\$'000	Proposed dividend (Unaudited) HK\$'000	Total (Unaudited) HK\$'000	Total		
		premium account (Unaudited) HK\$'000	Contributed surplus (Unaudited) 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	
2009 final dividend paid	-	-	-	-	-	-	-	(30,684)	(30,684)	-	(30,684)	
Profit for the period	-	-	-	-	-	-	19,857	-	19,857	(1,174)	18,683	
Other comprehensive income/(loss) for the period	-	-	-	-	-	(40,679)	-	-	(40,679)	2,468	(38,211)	
Total comprehensive income/(loss) for the period	-	-	-	-	-	(40,679)	19,857	-	(20,822)	1,294	(19,528)	
Equity-settled share option arrangements	-	-	-	276	-	-	-	-	276	-	276	
At 30 June 2010	5,114	749,626	511,994	10,062	636	(251,184)	1,125,638	-	2,151,886	(1,106)	2,150,780	



# INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2011

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	11,156	(12,622)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	12,207	(51,778)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(56,878)	(61,019)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(33,515)	(125,419)
Cash and cash equivalents at beginning of period	179,802	270,065
Effect of foreign exchange rate changes, net	28,555	20,145
CASH AND CASH EQUIVALENTS AT END OF PERIOD	174,842	164,791
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	167,535	141,944
Non-pledged time deposits with original maturity of less than three months when acquired	7,307	22,847
	174,842	164,791

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) No. 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2010.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Group’s annual financial statements for the year ended 31 December 2010 and in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by HKICPA, except that the Group has in the current period applied, for the first time the following new and revised HKFRSs:

HKFRS 1 Amendment	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters</i>
HKAS 24 (Revised)	<i>Related Party Disclosures</i>
HKAS 32 Amendment	<i>Amendment to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues</i>
HK(IFRIC) – Int 14 Amendments	<i>Amendments to HK(IFRIC) – Int 14 Prepayments of a Minimum Funding Requirement</i>
HK(IFRIC) – Int 19	<i>Extinguishing Financial Liabilities with Equity Instruments</i>

Apart from the above, the Group has also adopted Improvements to HKFRSs 2010\* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording.

\* Improvements to HKFRSs 2010 contain amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC) – Int 13.

Other than as further explained below regarding the impact of an amendment to HKAS 34 included in Improvements to HKFRSs 2010, the adoption of these new and revised HKFRSs has had no significant financial effect on these unaudited interim condensed consolidated financial statements and there have been no significant changes to the accounting policies applied in these unaudited interim condensed consolidated financial statements.

Amendment to HKAS 34 requires additional disclosures for fair values and changes in classification of financial assets in interim financial statements. The respective disclosures requirements have been set out in note 17 to these unaudited interim condensed consolidated financial statements.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 1. BASIS OF PREPARATION AND ACCOUNTING POLICIES (Continued)

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

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i> <sup>1</sup>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>3</sup>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>3</sup> 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 INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 2. OPERATING SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2011 and 2010.

	Cement products		Property investment		Property development		Traditional Chinese medicine products		Corporate and others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	332,741	354,962	64,929	53,238	-	-	440	641	3,806	3,719	401,916	412,560
Other income and gains	1,224	805	10	5,365	-	-	42	-	33	-	1,309	6,170
	333,965	355,767	64,939	58,603	-	-	482	641	3,839	3,719	403,225	418,730
Segment results	7,833	13,301	50,979	44,214	(515)	(2,106)	(758)	(1,546)	(12,152)	(17,301)	45,387	36,562
Reconciliation:												
Interest income											1,557	1,465
Fair value gains on derivative financial instruments											-	1,164
Share of profits and losses of associates	402	(1,363)	-	-	(240)	(194)	-	-	-	-	162	(1,557)
Share of profits and losses of a jointly-controlled entity	-	-	37	140	-	-	-	-	-	-	37	140
Profit before tax											47,143	37,774
Income tax expense	(6,716)	(8,351)	(12,182)	(10,740)	-	-	-	-	-	-	(18,898)	(19,091)
Profit for the period											28,245	18,683



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 2. OPERATING SEGMENT INFORMATION (Continued)

	Cement products		Property investment		Property development		Traditional Chinese medicine products		Corporate and others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Other segment information:												
Depreciation	27,320	30,296	773	641	40	40	88	80	77	632	28,298	31,689
Capital expenditure	4,958	28,131	1,032	-	-	6	-	-	77	64	6,067	28,201
Impairment of loans to an associate	-	1,883	-	-	-	-	-	-	-	-	-	1,883

The following table presents segment assets and liabilities for the Group's operating segments as at 30 June 2011 and 31 December 2010:

	Cement products		Property investment		Property development		Traditional Chinese medicine products		Corporate and others		Consolidated	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment assets	1,207,618	1,262,062	1,436,544	1,450,969	77,942	79,701	4,137	5,264	31,288	71,460	2,757,529	2,869,456
Reconciliation:												
Investments in associates	13,296	37,069	-	-	81,748	76,355	-	-	-	-	95,044	113,424
Investment in a jointly-controlled entity	-	-	4,411	3,828	-	-	-	-	-	-	4,411	3,828
Total assets											2,856,984	2,986,708
Segment liabilities	463,224	512,608	311,459	317,032	256	495	4,528	4,724	19,367	26,071	798,834	860,830
Reconciliation:												
Unallocated liabilities											-	-
Total liabilities											798,834	860,830

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and gross rental income received and receivable from investment properties during the period.

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

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Revenue:		
Sale of cement	332,741	354,962
Gross rental income	64,929	53,238
Sale of electronic products	2,368	2,204
Sale of traditional Chinese medicine products	440	641
Sale of plywood and other wood products	1,438	1,515
	<b>401,916</b>	412,560
Other income and gains:		
Interest income	1,557	1,465
Fair value gain on derivative financial instruments	–	1,164
Gain on disposal of scrap materials	1,224	442
Others	85	5,728
	<b>2,866</b>	8,799

## 4. FINANCE COSTS

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	21,732	17,447
Finance leases	62	70
	<b>21,794</b>	17,517





# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 5. PROFIT BEFORE TAX

Profit before tax was determined after charging the following:

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000 (Restated)
Cost of inventories sold	261,395	261,549
Depreciation	28,298	31,689
Amortisation of land lease payments	1,334	1,426

## 6. INCOME TAX

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Current-overseas	15,494	17,302
Deferred	3,404	1,789
Total tax charge for the period	18,898	19,091

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

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

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

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

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	<b>28,595</b>	19,857

	Number of shares For the six months ended 30 June	
	2011 (Unaudited)	2010 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	<b>511,901,110</b>	511,393,418
Effect of dilution-weighted average number of ordinary shares: Share options	<b>112,715</b>	523,740
Weighted average number of ordinary shares used in the diluted earnings per share calculation	<b>512,013,825</b>	511,917,158

## 8. INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents (six months ended 30 June 2010: HK 4 cents) per ordinary share in issue in respect of the six months ended 30 June 2011 payable on or before 6 October 2011 to shareholders whose names are on the Registers of Members on 28 September 2011.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 9. TRADE RECEIVABLES

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

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

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

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 to 30 days	58,824	41,535
31 to 60 days	21,812	11,597
61 to 90 days	7,667	3,782
91 to 120 days	2,247	3,222
Over 120 days	2,647	8,537
	<b>93,197</b>	68,673

## 10. 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:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
0 to 30 days	28,123	17,930
31 to 60 days	9,447	6,408
61 to 90 days	1,936	3,974
91 to 120 days	2,772	399
Over 120 days	10,390	24,983
	<b>52,668</b>	53,694

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\$4,082,000 due to associates as at 30 June 2011 (31 December 2010: HK\$5,613,000), which is non-interest-bearing and is normally settled on term of 60 days.

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 11. SHARE CAPITAL

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Authorised: 760,000,000 ordinary shares of HK\$0.01 each	7,600	7,600
Issued and fully paid: 511,993,418 (2010: 511,393,418) ordinary shares of HK\$0.01 (2010: HK\$0.01) each	5,120	5,114

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

	Number of shares in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 31 December 2010 and 1 January 2011	511,393,418	5,114	749,626	754,740
Share options exercised	600,000	6	801	807
At 30 June 2011	511,993,418	5,120	750,427	755,547

## 12. SHARE OPTION SCHEME

The Company operated a share option scheme (the "Scheme") during the reporting period 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 included the Company's directors, and other employees of the Group. The Scheme became effective on 18 May 2006 and, unless otherwise cancelled or amended, was expired on 18 May 2011.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issued at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period was 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 was subject to shareholders' approval in a general meeting.



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 12. SHARE OPTION SCHEME (Continued)

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

The offer of a grant of share options might 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 was determinable by the directors, and commenced on a specified date and ended on a date which was 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 was determinable by the directors, but might not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; or (iii) the nominal value of a share of the Company.

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

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

Name or category of participant	Number of share options					At 30 June 2011	Date of grant of share options*	Exercise period of share options	Exercise price of share options** HK\$	Price of Company's shares		
	At 1 January 2011	Granted during the period	Exercised during the period	Expired during the period	Forfeited during the period					At grant date of options HK\$	Immediately before the exercise date HK\$	At exercise date of options HK\$
<b>Employees</b>												
In aggregate	750,000	-	(600,000)	(150,000)	-	-	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	2.78	2.76
	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	-	-
	<u>5,320,000</u>	<u>-</u>	<u>(600,000)</u>	<u>(4,720,000)</u>	<u>-</u>	<u>-</u>						

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 12. SHARE OPTION SCHEME (Continued)

Notes to the share options outstanding during the period:

- \* The vesting period of the share options is from the date of the grant until the commencement of the exercise period and subject to the exercise conditions of 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.
- \*\*\* The weighted average closing price of the company's shares immediately before the exercise dates of share options was HK\$2.78.

## 13. OPERATING LEASE ARRANGEMENTS

### (a) As lessor

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

At 30 June 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	102,860	105,393
In the second to fifth years, inclusive	85,076	93,418
	<b>187,936</b>	198,811



# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 13. 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 between two to fifty years.

At 30 June 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Within one year	945	1,186
In the second to fifth years, inclusive	3,671	3,543
After five years	22,854	22,779
	<b>27,470</b>	27,508

## 14. COMMITMENTS

In addition to the operating lease arrangements detailed in note 13(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2011 (Unaudited) HK\$'000	31 December 2010 (Audited) HK\$'000
Contracted, but not provided for:		
Land	207,432	219,547
Property, plant and equipment	14,749	9,193
Property for development	833	833
	<b>223,014</b>	229,573
Authorised, but not contracted for:		
Property for development	38,423	40,664
Contracted, but not provided for:		
Capital contribution payable to associates	882	933
	<b>262,319</b>	271,170

# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 15. RELATED PARTY TRANSACTIONS

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

As disclosed in the condensed consolidated statement of financial position, the outstanding balances owed by the Group to its director and a related company amounted to HK\$75,000 (31 December 2010: HK\$75,000) and HK\$4,344,000 (31 December 2010: HK\$4,344,000), respectively.

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

### (b) Material transactions with related parties:

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Associates:		
Purchases of raw materials	19,691	18,218
Distribution charges	–	8,398
Interest income	132	–

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

### (c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2011 (Unaudited) HK\$'000	2010 (Unaudited) HK\$'000
Short-term employee benefits	5,025	5,566
Post-employment benefits	18	18
Total compensation paid to key management personnel	5,043	5,584

## 16. CONTINGENT LIABILITIES

At the end of the reporting period, the Group had no significant contingent liabilities.





# NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2011

## 17. 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:

*As at 30 June 2011 and 31 December 2010:*

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

### Liabilities measured at fair value:

The Group did not have any financial liabilities carried at fair value as at 30 June 2011 and 31 December 2010.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2010: Nil).

## 18. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current period's presentation.

## 19. APPROVAL OF THE INTERIM FINANCIAL REPORT

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2011.

# OTHER INFORMATION

## INTERIM DIVIDEND

The Board has resolved to declare an interim dividend of HK 2 cents (2010: HK 4 cents) per ordinary share in issue in respect of the six months ended 30 June 2011 payable on or before 6 October 2011 to shareholders whose names are on the Registers of Members on 28 September 2011.

## CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 26 September 2011 to Wednesday, 28 September 2011, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 23 September 2011. Cheques for interim dividends will be dispatched on or before 6 October 2011.

## DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2011, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

### Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Luk King Tin	(a)	189,552,399	–	62,684,958	252,237,357	49.27
Cheng Cheung	(b)	20,784,800	–	36,912,027	57,696,827	11.27
Luk Yan	(c)	3,070,800	174,000	–	3,244,800	0.63
Luk Fung		3,129,600	–	–	3,129,600	0.61
Fan Chiu Tat, Martin		1,500,000	–	–	1,500,000	0.29
		218,037,599	174,000	99,596,985	317,808,584	62.07



## OTHER INFORMATION

### Long positions in shares of an associated corporation

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

Notes:

- (a) Mr. Luk King Tin had a beneficial interest in KT (Holdings) Limited, which held 62,684,958 shares of the Company at the 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, which held 174,000 shares of the Company at the end of the reporting period.
- (d) Mr. Luk King Tin and Mr. Luk Fung had a beneficial interest in Vigconic Biotechnology Company Limited, which held 2,462,402 shares of US\$1 each of VI at the balances sheet date.

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

Save as disclosed above, as at 30 June 2011, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## OTHER INFORMATION

### DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed in note 12 to the condensed consolidated interim financial statements, at no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

At 30 June 2011, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

#### Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
KT (Holdings) Limited	Directly beneficially owned	62,684,958	12.24
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.21

Save as disclosed above, as at 30 June 2011, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

### PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the period ended 30 June 2011.



## OTHER INFORMATION

### CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except for the following:–

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin. Mr. Luk being the founder of the Company, has been the Chairman and the Chief Executive Officer of the Company and in charge of the overall management of the Company since the beginning. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) According to the Company's Bye-laws, the Chairman or Managing Director of the Company is not subject to retirement by rotation. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that the deviation is acceptable.

### MODEL CODE FOR SECURITIES TRANSACTIONS

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

### AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2011 now reported have been reviewed by the Company's audit committee.

By Order of the Board

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

**Luk King Tin**

*Chairman*

Hong Kong

31 August 2011