陸氏集團(越南控股)有限公司

LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366

陸氏

ANNUAL REPORT 2011

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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

BUSINESS REVIEW AND PROSPECTS

Vietnam economic growth was seen slowing down during 2011, with its real GDP grew only a moderate 5.89% when comparing to 6.8% of last year. Vietnam government strived to control the rocketing inflation rate during the year. According to official statistics, the inflation rate for 2011 reached 18.13%. Various tightened economic measures were adopted by the government aiming to ease the inflationary pressure. The State Bank repeatedly raised the interest rates, causing general commercial lending rates to exceed 20% over the year. As a result, enterprises were operating in a difficult environment whereas infrastructure projects and activities also dropped significantly. Another major measure by the government was to cut its public spending substantially which thus contributed to the slow pace of economic growth during the year.

With the uncertain economic environment, the government further depreciated the rate of Vietnamese Dong ("VND") to USD for 7.9% at the beginning of 2011, which thus weakened foreign investors' confidence in investing in Vietnam. For the year 2011, Vietnam recorded newly registered foreign direct investments of only US$14.7 billion, representing a drop of over 20% on a year-on-year basis. Foreseeing 2012, since Vietnam's trade deficit has become stable and slightly improved, pressure on VND depreciation shall be lesser. While inflation pressure has also seen easing, the State Bank announced to cut its interest rate for 1% in March 2012. It is estimated that the economic situation shall be more stable and may show moderate improvement in 2012.

For the year ended 31 December 2011, the Group recorded a turnover of HK$815,463,000, representing a decrease of 2.7% as compared to HK$838,441,000 of last year. Turnover from the cement business was HK$677,428,000 representing a year-on-year decrease of 3.6%, whereas turnover from the property investment was HK$128,034,000, representing a slight increase of 1.2% as compared to 2010.

The consolidated net profit attributable to shareholders was HK$63,997,000 for the year, representing an increase of approximately 41.0% when compared to HK$45,377,000 of 2010. Earnings per share for 2011 was HK 12.5 cents, representing an increase of 40.4% when compared to HK 8.9 cents of last year.

CEMENT BUSINESS

For 2011, the Group achieved total sales of 1,786,000 tons of cement and clinkers, representing a decrease of 17.7% as compared to 2010, whereas the sales amount was HK$677,428,000, representing a year-on-year decrease of 3.6%. Although quantity sales of cement dropped, profits margin improved due to increased cement selling price. As a result, the after-tax contribution of the Group's cement business to the parent company managed to turn from a loss of HK$24,814,000 from last year to that of a profit of HK$45,355,000 in 2011.

Decrease in quantity sales of the cement plant was mainly attributed to the government austerity measures, which caused the construction business and infrastructure projects to slow down to a large extent. The market demand for cement dropped substantially as a consequence.

On the production side, due to severe inflation during the year, production costs increased in general in which electricity increased 10%, coal price increased 45%, whereas bauxite and gypsum increased over 20%. Besides, surging bank lending rate also led to an increase in interest expenditure of the cement plant, and the devaluation of VND also impacted to the profits of the cement plant. Fortunately, the cement plant managed to increase its selling price by an average of 43% during the year, which not only be able to cover costs increase and currency devaluation, but also helped the cement plant to turn back to profits in the year.

CHAIRMAN'S STATEMENT

Overseeing 2012, market for cement sales is still difficult especially in the first half of the year when situation of oversupply in the market continues. And some of the production costs such as coal price and electricity are still on a rising trend. Whereas in the second half of the year, inflation shall become more stable and interest rate is expected to be lowered a bit. Thus, construction works and infrastructure projects are expected to be back on track gradually. In particular, there will be some large scale infrastructure projects being kicked start in the central region during 2012. Thus, the Group's cement sales shall be benefited.

Recently, the government has decided to replace asphalt with cement as the major construction material for roads and highways in Vietnam. Life of a cement road is around 30 years as compared to only 5 to 10 years for a road being built with asphalt. According to the Minster of Transportation, cement will be used in priority for roads in central regions where flooding is frequent, coastal region and highways projects in Ho Chi Minh City. It is believed that the change shall benefit to the Group's cement plant which is strategically located in the central region of Vietnam.

SAIGON TRADE CENTER AND PROPERTY INVESTMENTS

Being distressed by high inflation rate, high interest rates and currency devaluation, Vietnam was not much benefited from a strong flow of foreign capital into Asian countries during 2011. Vietnam recorded a mere 14.7 billion foreign direct investments in 2011, a drop of over 20% comparing to last year.

In the office leasing market, demand for office spaces in Ho Chi Minh City recorded only a slight growth in 2011 due to the lack of strong inflow of foreign companies setting up office in Ho Chi Minh City. On the other hand, new supply of office spaces in the market brought pressure on the renewal rental rate of Saigon Trade Center during the year.

As at 31 December 2011, the occupancy rate of Saigon Trade Centre increased to 82%, as compared to 76% of 2010. But the average rental rate continued to decline for 5% during the year. However, total rental income of Saigon Trade Center still recorded an increase of 6% as compared to last year.

Looking forward to 2012, the total rental income of Saigon Trade Center is expected to grow slightly especially foreseeing a more stable economic environment in Vietnam. Yet, on the other hand, new supply of office spaces in the market may also poses threat to the occupancy rate and the average rental rate of Saigon Trade Centre. But being affected by tightened economic measures and high borrowing costs for property development, new projects on office buildings are expected to be limited in the next coming years.

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

Benefited by value appreciation of the Group's property in China and Hong Kong, the Group recorded an increase in property revaluation surplus of HK$89,566,000 in 2011, representing an increase of 135% as compared to HK$38,075,000 of last year.

PROPERTY DEVELOPMENT

During 2011, as a mean of controlling inflation, the State Bank of Vietnam repeatedly raised the interest rates and thus causing general commercial lending rates to exceed 20%. Commercial banks providing loans to property development projects were especially cautious and reluctant. The mortgage rate also stood high to over 20% during the year. As a result, the property market turned very stagnant in 2011.

Considering the existing harsh market conditions, the Group has slowed its pace of development for the project in Binh Thanh District, Hochiminh City. Construction of the project is not expected to commence until the property market shows clear signs of improvement in the coming near future.

In regards to the Group's another joint venture, Viet Lien Luks Company Limited ("Viet Lien Luks"), which is jointly owned with Viet Lien A ("VLA"), a Vietnamese partner to develop a 19 hectares site in Binh Chanh District, Hochiminh City, the updated situation is as follows. The Group found that the plot ratio of the project undertaken by VLA in according to the contract could not be granted by relevant authorities in Vietnam. Despite efforts in resolving the issue, no resolution has been achieved yet. The latest proposal by the Group is to withdraw from the project and sell all holding in Viet Lien Luks to VLA, in return for VLA to return to the Group an equivalent amount of VND255,744,000,000 (equivalent to HK$96,373,000), being the amount having been contributed by the Group to the joint venture. In principle, VLA agreed verbally to the latest proposal by the Group. However, over more than a year of negotiations, details of the proposal have not been finalised and no legally binding agreement has been achieved. Considering the difficulties in negotiating with VLA to get back the contributed amount and a dimmed possibility of the Group in disposing its holding in the project due to the stagnant property market in Vietnam, the Group decided to make full provision for the amount of VND255,744,000,000 (equivalent to HK$96,373,000) in its annual accounts for the year ended 31 December 2011. The provision does not affect the Group's processing in negotiating with VLA. The Group is still on keen negotiation with VLA to seek for the best solution in resolving the issue.

Mongolia' economic situation and investment atmosphere improved significantly during 2011. The Group has resumed the development of its residential property project in Ulaanbaatar. The first phase comprising 20 units of independent villa and townhouse with a total GFA of about 7,600 square meters is under construction. The completion date is expected to be at the end of Oct 2012. Being affected by worse climate in Ulaanbaatar by the end of 2011, pre-sale of the project is postponed to the second quarter of this year.

DIVIDEND

The board of directors recommended to distribute a final dividend of HK 3 cents per share to the shareholders and together with the interim dividend of HK 2 cents per share already distributed, the total dividend for the full year of 2011 will be HK 5 cents per share.

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

29th March 2012

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's cash, bank balances and time deposits as at 31 December 2011 amounted to HK$170,247,000 (31 December 2010: HK$179,802,000). The Group's total borrowings amounted to HK$289,326,000 (31 December 2010: HK$404,268,000), of which HK$197,877,000 (31 December 2010: HK$293,666,000) was repayable within 1 year and HK$91,449,000 (31 December 2010: HK$110,602,000) was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$, US$ and Vietnamese Dong ("VND") were 13.9%, 34.6% and 51.5% respectively. Of the total borrowings, about 39.4% were at fixed interest rates.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 5.8% as at 31 December 2011 (31 December 2010: 10.6%).

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2011, the Group has no significant investment held.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2011, the Group had approximately 1,600 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$48,709,000 for the year ended 31 December 2011 (31 December 2010: HK$51,155,000). 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 2011, the Group pledged certain property, plant and equipment at a net carrying value of HK$740,642,000, prepaid land lease payments at a net carrying value of HK$9,447,000 and certain investment properties at a carrying value of HK$186,000,000.

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 7.9% as at 31 December 2011 when compared to the rate as at 31 December 2010. 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 15-17%, the cost for adopting such exchange rate hedging instrument was thus so expensive and ineffective. The cost for such hedged instrument may possibly be higher than the rate of VND devaluation per annum. As a result, the Company has not employed any hedged 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. As at 2011, Vietnam government decreed that VND must be used for pricing of goods and services to be provided in Vietnam. As a result, the Group's Saigon Trade Centre has since processed to change the denomination of its leasing contracts from USD to VND.

DETAILS OF CONTINGENT LIABILITY

As at 31 December 2011, the Group has no significant contingent liability (31 December 2010: 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 2011, 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.

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 13 to 14 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.

CORPORATE GOVERNANCE PRACTICES

The Board convened seven meetings during the financial year ended 31 December 2011. Mr. LUK King Tin, Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung and Mr. FAN Chiu Tat, Martin attended all seven board meetings while Mr. LIU Li Yuan, 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.

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 2011, 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, reviewed and the compliance situation with relevant laws and regulations. All members attended all 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 2011, 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.

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 2011, 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.

CORPORATE GOVERNANCE PRACTICES

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 2011 and 31 December 2011.

AUDITORS' REMUNERATION

During the year under review, the remuneration paid/payable to the Company's independent auditors, Messrs. Ernst & Young amounted to a total of HK$2,010,300, of which HK$1,791,000 was for audit services, and HK$219,300 for non-audit services including review, tax and consultancy services.

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 2011.

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 2011 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 20 to 97.

An interim dividend of HK 2 cents per ordinary share was paid on 28 September 2011. The directors recommend the payment of a final dividend of HK 3 cents per ordinary share in respect of the year to shareholders on the register of members on 18 May 2012. 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 100. 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 98.

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 35 and 36 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

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

Month	Number of shares repurchased	Price per share Highest HK$	Price per share Lowest HK$	Total price paid HK$
December 2011	62,000	1.36	1.35	83,940

The purchased shares were cancelled during the year and the issued share capital of the Company was reduced by the par value thereof.

The purchase of the Company's shares during the year was effected by the directors, pursuant to the mandate from shareholders received at the last annual general meeting, with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share of the Group.

Except as disclosed above, 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 37(d) to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$319,368,000 of which approximately HK$15,358,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$750,343,000, 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.

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, Madam Cheng Cheung and Mr. Luk Fung 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 74, 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 34 years. He is responsible for formulating the Group's strategies and policies.

Madam Cheng Cheung, aged 71, 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 34 years. She is mainly responsible for the finance, human resources and administrative functions of the Group.

Mr. Luk Yan, aged 47, 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 22 years.

REPORT OF THE DIRECTORS

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES (Continued)

Mr. Luk Fung, aged 43, 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 12 years.

Mr. Fan Chiu Tat, Martin, aged 45, 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 22 years.

Mr. Liu Li Yuan, aged 60, 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 59, 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 46, 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 23 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 2011, 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)	191,652,399	—	62,684,958	254,337,357	49.68
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	0.64
Luk Fung		3,129,600	—	—	3,129,600	0.61
Fan Chiu Tat, Martin		1,500,000	—	—	1,500,000	0.29
		220,137,599	174,000	99,596,985	319,908,584	62.49

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

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

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 2011, 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 36 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 36 to the financial statements.

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

At 31 December 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:

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	12.24
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.21

Save as disclosed above, as at 31 December 2011, 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.

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
29 March 2012

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 20 to 97, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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.

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.

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

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 2011, 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
22nd Floor, CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong

29 March 2012

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
REVENUE	5	**815,463**	838,441
Cost of sales		**(509,009)**	(548,362)
Gross profit		**306,454**	290,079
Other income and gains	5	**11,907**	13,829
Fair value gains on investment properties, net		**89,566**	38,075
Selling and distribution costs		**(45,700)**	(68,991)
Administrative expenses		**(70,602)**	(82,896)
Other expenses		**(128,198)**	(78,683)
Finance costs	7	**(43,401)**	(40,046)
Share of profits and losses of a jointly-controlled entity		**(3,828)**	37
Share of profits and losses of associates		**(7,440)**	(3,655)
PROFIT BEFORE TAX	6	**108,758**	67,749
Income tax expense	10	**(46,606)**	(23,692)
PROFIT FOR THE YEAR		**62,152**	44,057
Attributable to:			
Owners of the parent	11	**63,997**	45,377
Non-controlling interests		**(1,845)**	(1,320)
		62,152	44,057
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK12.5 cents**	HK8.9 cents
Diluted		**HK12.5 cents**	HK8.9 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
PROFIT FOR THE YEAR		**62,152**	44,057
OTHER COMPREHENSIVE LOSS			
Exchange differences on translation of foreign operations		**(98,524)**	(68,032)
OTHER COMPREHENSIVE LOSS FOR THE YEAR		**(98,524)**	(68,032)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(36,372)**	(23,975)
Attributable to:			
Owners of the parent	11	**(36,541)**	(22,238)
Non-controlling interests		**169**	(1,737)
		(36,372)	(23,975)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**908,685**	1,010,914
Investment properties	15	**1,315,859**	1,286,704
Prepaid land lease payments	16	**13,236**	17,741
Goodwill	17	**—**	183
Investment in a jointly-controlled entity	19	**—**	3,828
Investments in associates	20	**94,986**	113,424
Deposits	24	**35,417**	138,331
Property for development	21	**36,430**	—
Total non-current assets		**2,404,613**	2,571,125
CURRENT ASSETS			
Property for development	21	**—**	36,552
Inventories	22	**103,027**	93,206
Trade receivables	23	**54,052**	68,673
Prepayments, deposits and other receivables	24	**24,169**	36,256
Debt investments at fair value through profit or loss	25	**1,094**	1,094
Cash and cash equivalents	26	**170,247**	179,802
Total current assets		**352,589**	415,583
CURRENT LIABILITIES			
Trade payables	27	**28,790**	53,694
Other payables and accruals	28	**102,984**	121,850
Due to directors	29	**69**	75
Due to a related company	30	**4,339**	4,344
Interest-bearing bank and other borrowings	31	**197,877**	293,666
Tax payable		**24,546**	35,792
Total current liabilities		**358,605**	509,421
NET CURRENT LIABILITIES		**(6,016)**	(93,838)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,398,597**	2,477,287

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,398,597**	2,477,287
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**91,449**	110,602
Rental deposits		**15,717**	23,051
Provisions	33	**5,167**	5,170
Deferred tax liabilities	34	**216,597**	212,586
Total non-current liabilities		**328,930**	351,409
Net assets		**2,069,667**	2,125,878
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**5,119**	5,114
Reserves	37(a)	**2,068,516**	2,124,901
		2,073,635	2,130,015
Non-controlling interests		**(3,968)**	(4,137)
Total equity		**2,069,667**	2,125,878

Luk King Tin
Director

Cheng Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

		Attributable to owners of the parent									
	Notes	Issued capital HK$'000 (note 35)	Share premium account HK$'000	Contributed surplus HK$'000 (note 37(b))	Share option reserve HK$'000	Capital redemption reserve HK$'000 (note 37(c))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non–controlling interests HK$'000	Total equity HK$'000
At 1 January 2010		5,114	749,626	542,678	9,786	636	(210,505)	1,105,781	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 income/(loss) for the year		–	–	–	–	–	(67,615)	45,377	(22,238)	(1,737)	(23,975)
Final 2009 dividend		–	–	(30,684)	–	–	–	–	(30,684)	–	(30,684)
Equity-settled share option arrangements	36	–	–	–	277	–	–	–	277	–	277
Interim 2010 dividend	12	–	–	(20,456)	–	–	–	–	(20,456)	–	(20,456)
At 31 December 2010		5,114	749,626*	491,538*	10,063*	636*	(278,120)*	1,151,158*	2,130,015	(4,137)	2,125,878
At 1 January 2011		**5,114**	**749,626**	**491,538**	**10,063**	**636**	**(278,120)**	**1,151,158**	**2,130,015**	**(4,137)**	**2,125,878**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**63,997**	**63,997**	**(1,845)**	**62,152**
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(100,538)**	**–**	**(100,538)**	**2,014**	**(98,524)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**(100,538)**	**63,997**	**(36,541)**	**169**	**(36,372)**
Final 2010 dividend		**–**	**–**	**(10,240)**	**–**	**–**	**–**	**–**	**(10,240)**	**–**	**(10,240)**
Exercise of share options	36	**6**	**801**	**–**	**(81)**	**–**	**–**	**–**	**726**	**–**	**726**
Repurchase of shares	35	**(1)**	**(84)**	**–**	**–**	**1**	**–**	**(1)**	**(85)**	**–**	**(85)**
Transfer of share option reserve upon the expiry of share options		**–**	**–**	**–**	**(9,982)**	**–**	**–**	**9,982**	**–**	**–**	**–**
Interim 2011 dividend	12	**–**	**–**	**(10,240)**	**–**	**–**	**–**	**–**	**(10,240)**	**–**	**(10,240)**
At 31 December 2011		**5,119**	**750,343***	**471,058***	**–***	**637***	**(378,658)***	**1,225,136***	**2,073,635**	**(3,968)**	**2,069,667**

* These reserve accounts comprise the consolidated reserves of HK$2,068,516,000 (2010: HK$2,124,901,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**108,758**	67,749
Adjustments for:			
Finance costs	7	**43,401**	40,046
Share of profits and losses of a jointly-controlled entity		**3,828**	(37)
Share of profits and losses of associates		**7,440**	3,655
Interest income	5	**(4,891)**	(6,332)
Equity-settled share option expense	6	**—**	277
Fair value gains on investment properties, net	15	**(89,566)**	(38,075)
Loss on disposal of items of property, plant and equipment	6	**—**	8
Depreciation	6	**53,139**	61,769
Amortisation of prepaid land lease payments	6	**2,662**	2,868
Fair value losses on derivative financial instruments	6	**—**	1,158
Impairment of goodwill	6	**183**	—
Impairment of loans to associates	6	**2,184**	2,360
Impairment of trade receivables	6	**635**	65
Impairment of a deposit and other receivables	6	**96,970**	1,212
Impairment of items of property, plant and equipment	6	**—**	960
		224,743	137,683
Increase in property for development		**—**	(2,682)
Decrease/(increase) in inventories		**(19,304)**	2,435
Decrease/(increase) in trade receivables		**8,969**	(15,314)
Decrease/(increase) in prepayments, deposits and other receivables		**6,098**	(1,464)
Increase/(decrease) in trade payables		**(21,540)**	2,516
Increase/(decrease) in other payables and accruals		**(16,066)**	11,046
Increase in provisions		**97**	393
Increase/(decrease) in an amount due to a related company		**(5)**	994
Increase/(decrease) in rental deposits		**(6,120)**	225
Cash generated from operations		**176,872**	135,832
Interest paid		**(43,401)**	(40,046)
Overseas taxes paid		**(39,161)**	(18,839)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**94,310**	76,947

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**94,310**	76,947
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,891**	6,332
Purchases of items of property, plant and equipment		**(14,048)**	(75,376)
Addition of investment properties		**—**	(2,799)
Decrease in pledged deposits		**—**	25,007
Increase in non-current deposits		**—**	(14,836)
Repayment from/(Loans to) associates		**15,303**	(8,663)
Decrease in derivative financial instruments		**—**	(7,537)
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**6,146**	(77,872)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**340,916**	409,270
Repayment of bank loans		**(428,205)**	(479,557)
Capital element of finance lease rental payments		**(553)**	(611)
Repurchase of shares		**(85)**	—
Proceeds from issue of shares		**726**	—
Increase/(decrease) in amounts due to directors		**(6)**	4
Dividends paid		**(20,480)**	(51,140)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(107,687)**	(122,034)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(7,231)**	(122,959)
Cash and cash equivalents at beginning of year		**179,802**	270,065
Effect of foreign exchange rate changes, net		**(2,324)**	32,696
CASH AND CASH EQUIVALENTS AT END OF YEAR		**170,247**	179,802
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**54,919**	172,513
Non-pledged time deposits with original maturity of less than three months when acquired	26	**115,328**	7,289
		170,247	179,802

STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**141**	103
Investments in subsidiaries	18	**721,221**	937,622
Total non-current assets		**721,362**	937,725
CURRENT ASSETS			
Debt investments at fair value through profit or loss	25	**1,094**	1,094
Cash and cash equivalents	26	**78,549**	35,864
Total current assets		**79,643**	36,958
CURRENT LIABILITIES			
Other payables and accruals	28	**4,666**	5,110
Due to directors	29	**69**	75
Total current liabilities		**4,735**	5,185
NET CURRENT ASSETS		**74,908**	31,773
TOTAL ASSETS LESS CURRENT LIABILITIES		**796,270**	969,498
NON-CURRENT LIABILITIES			
Provisions	33	**3,569**	3,549
Total non-current liabilities		**3,569**	3,549
Net assets		**792,701**	965,949
EQUITY			
Issued capital	35	**5,119**	5,114
Reserves	37(d)	**787,582**	960,835
Total equity		**792,701**	965,949

Luk King Tin
Director

Cheng Cheung
Director

NOTES TO FINANCIAL STATEMENTS

31 December 2011

1. CORPORATE INFORMATION

Luks Group (Vietnam Holdings) Company Limited (the "Company") 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 Company and its subsidiaries (collectively referred to as 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 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.

As at 31 December 2011, the current liabilities of the Group exceeded its current assets by approximately HK$6 million. The Group finances its operations by obtaining credit terms from suppliers and interest-bearing bank and other borrowings. As at 31 December 2011, the Group had unutilised credit facilities from banks of approximately HK$105 million and all of which was successfully drawn down by the Group subsequent to 31 December 2011.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities, the continual renewal of bank loans upon maturity and internal financial resources of the Group, the Group has sufficient working capital for its present requirements. Hence, the financial statements has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

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.

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 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*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 24 (Revised) Related Party Disclosures

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (Continued)

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements*: The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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 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*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures - Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Asset & Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes - Deferred Tax: Recovery of Underlying Asset*[2]
HKAS 19 (2011)	*Employee Benefits*[4]
HKAS 27 (2011)	*Separate Financial Statements*[4]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[4]
HKAS 32	Amendments to HKAS32 *Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

[1] Effective for annual periods beginning on or after 1 July 2011
[2] Effective for annual periods beginning on or after 1 January 2012
[3] Effective for annual periods beginning on or after 1 July 2012
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2014
[6] Effective for annual periods beginning on or after 1 January 2015

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 7 Amendments introduce more extensive quantitative and qualitative disclosure requirements regarding transfer transactions of financial assets (e.g. securitisations), including information for understanding the possible effects of any risks that may remain with the entity that transferred the assets. The Group expects to adopt the amendments from 1 January 2012 and comparative disclosures are not required for any period beginning before that date.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

HKFRS 7 Amendments issue new disclosure requirements in relation to the offsetting models of financial assets and financial liabilities. The amendments also improve the transparency in the reporting of how companies mitigate credit risk, including disclosure of related collateral pledged or received. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation - Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e.. joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*. HKAS 31 *Interests in Joint Ventures* and HKAS 28 Investments in Associates. It also introduces a number of new disclosure requirements for these entities.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12 and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, the amendments incorporate the requirement previously in HK(SIC)-Int 21 *Income Taxes - Recovery of Revalued Non-Depreciable Assets* that deferred tax on non-depreciable assets, measured using the revaluation model in HKAS 16, should always be measured on a sale basis. The Group expects to adopt HKAS 12 Amendments from 1 January 2012.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

HKAS 32 Amendments clarify the requirements for offsetting financial instruments. The amendments address inconsistencies in current practice when applying the offsetting criteria and clarify the meaning of "currently has a legally enforceable right of set-off" and some gross settlement systems may be considered equivalents to net settlements. The Group expects to adopt the amendments from 1 January 2014.

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/Company has unilateral control, directly or indirectly, over the joint venture;

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

(c) an associate, if the Group/Company 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

(d) an equity investment accounted for in accordance with HKAS 39, if the Group/Company 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 result and reserve 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.

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.

Business combinations and goodwill

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 Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other companies of non-controlling interests are measured at fair value. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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 will be 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 will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

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 identifiable net 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.

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.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, property for development, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 in those expense categories consistent with the function of the impaired 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.

Related parties

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

(a) the party is a person or a close member of that person's family and that person;

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 depreciates them accordingly.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 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.

Revenue is only recognised upon completion of the development. Sales deposits/instalments received and receivable from the purchase in respect of pre-sale of properties for development prior to completion of the development are included in current liabilities.

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.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

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 and loans and receivables 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 transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

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, deposits, and debt investment at fair value through profit or loss.

Subsequent measurement

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

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. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net 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.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through profit or loss (Continued)

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, in rare circumstances, 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. 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 as these instruments cannot be reclassified after initial recognition.

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.

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 finance costs for loans and in other expenses for receivables.

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, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets(Continued)

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.

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 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 and all collateral has been realised or has been transferred to the Group.

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.

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 plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, accruals, amounts due to directors and a related company, rental deposits and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank and other 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 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.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

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 in 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.

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.

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 finance costs in the income statement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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

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

- when 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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.

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, further details of which are given in note 36 to the financial statements.

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.

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.

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 recognised as a liability only when they have been approved by the shareholders and declared.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 arising on settlement or translation of monetary items 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. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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, a jointly-controlled entity and associates 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, a jointly-controlled entity and associates 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.

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 deposits, trade and other receivables

In determining whether impairment loss on deposits, trade and other receivables is required, the Group takes into consideration the likelihood of collection and an aged analysis of the deposits and receivables. This assessment is based on the current creditworthiness and the past collection history of each debtor and require the use of judgements and estimates. If the financial conditions of debtors of the Group are to deteriorate, resulting in an impairment of their ability to make payments, provisions may be required.

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 described below.

Estimation of fair value of investment properties

Investment properties were revalued at each reporting date during the year based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at each reporting date.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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; and

(d) the corporate and others segment represents corporate income and expense items and the Group's manufacture and sale of electronic products, plywood products and traditional Chinese medicine products.

Management monitors the results of the Group's 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.

4. OPERATING SEGMENT INFORMATION (Continued)

(a) Business segments

Year ended 31 December	Cement products 2011 HK$'000	Cement products 2010 HK$'000	Property investment 2011 HK$'000	Property investment 2010 HK$'000	Property development 2011 HK$'000	Property development 2010 HK$'000	Corporate and others 2011 HK$'000	Corporate and others 2010 HK$'000	Consolidated 2011 HK$'000	Consolidated 2010 HK$'000
Segment revenue:										
Sales to external customers	**677,428**	702,428	**128,034**	126,510	**–**	–	**10,001**	9,503	**815,463**	838,441
Other income and gains	**4,714**	7,199	**29**	298	**–**	–	**2,273**	–	**7,016**	7,497
									822,479	845,938
Segment results	**51,909**	(18,446)	**191,935**	130,559	**(99,656)**	(6,027)	**(29,053)**	(39,893)	**115,135**	66,193
Reconciliation:										
Interest income									**4,891**	6,332
Fair value losses on derivative financial instruments									**–**	(1,158)
Share of profits and losses of associates	**761**	(3,216)	**–**	–	**(8,201)**	(439)	**–**	–	**(7,440)**	(3,655)
Share of profits and losses of a jointly-controlled entity	**–**	–	**(3,828)**	37	**–**	–	**–**	–	**(3,828)**	37
Profit before tax									**108,758**	67,749
Income tax expense	**(7,315)**	(3,152)	**(39,264)**	(20,540)	**–**	–	**(27)**	–	**(46,606)**	(23,692)
Profit for the year									**62,152**	44,057
Segment assets	**1,049,790**	1,262,062	**1,428,387**	1,348,642	**75,997**	182,028	**108,042**	76,724	**2,662,216**	2,869,456
Reconciliation:										
Investments in associates	**7,628**	37,069	**–**	–	**87,353**	76,355	**5**	–	**94,986**	113,424
Investment in a jointly-controlled entity	**–**	–	**–**	3,828	**–**	–	**–**	–	**–**	3,828
Total assets									**2,757,202**	2,986,708
Segment liabilities	**350,864**	512,508	**319,321**	317,032	**1,074**	495	**16,276**	30,795	**687,535**	860,830
Total liabilities									**687,535**	860,830
Other segment information:										
Depreciation	**50,370**	58,049	**2,021**	2,225	**537**	80	**211**	1,415	**53,139**	61,769
Capital expenditure	**13,954**	3,070	**–**	2,799	**–**	6	**94**	80	**14,048**	5,955
Impairment of loans to associates	**2,184**	2,360	**–**	–	**–**	–	**–**	–	**2,184**	2,360
Impairment of trade receivables	**635**	–	**–**	–	**–**	–	**–**	65	**635**	65
Impairment of a deposit and other receivables	**–**	1,212	**–**	–	**96,373**	–	**597**	–	**96,970**	1,212
Fair value gains on investment properties, net	**–**	–	**89,566**	38,075	**–**	–	**–**	–	**89,566**	38,075
Impairment of goodwill	**183**	–	**–**	–	**–**	–	**–**	–	**183**	–
Impairment of items of property, plant and equipments	**–**	461	**–**	–	**–**	–	**–**	499	**–**	960

4. OPERATING SEGMENT INFORMATION (Continued)

(b) Geographical information

(a) Revenue from external customers

	2011 HK$'000	2010 HK$'000
Vietnam	**791,051**	817,634
Hong Kong	**16,066**	13,744
Mainland China	**8,346**	7,063
	815,463	838,441

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

(b) Non-current assets

	2011 HK$'000	2010 HK$'000
Vietnam	**1,758,395**	2,013,260
Hong Kong	**417,246**	342,763
Mainland China	**228,972**	215,102
	2,404,613	2,571,125

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

Information about a major customer

Revenue of approximately HK$157,250,000 (2010: HK$155,967,000) 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:

	2011 **HK$'000**	2010 HK$'000
Revenue		
Sale of cement	**677,428**	702,428
Gross rental income	**128,034**	126,510
Sale of electronic products	**5,489**	4,437
Sale of traditional Chinese medicine products	**1,229**	1,618
Sale of plywood and other wood products	**3,283**	3,448
	815,463	838,441
Other income and gains		
Interest income	**4,891**	6,332
Income from sale of scrap materials	**4,369**	6,988
Others	**2,647**	509
	11,907	13,829

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Notes	2011 HK$'000	2010 HK$'000
Cost of inventories sold		**487,884**	531,735
Depreciation	14	**53,139**	61,769
Amortisation of prepaid land lease payments	16	**2,662**	2,868
Research and development costs*		**240**	938
Auditors' remuneration		**1,791**	1,964
Minimum operating lease payments in respect of land and buildings		**686**	725
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**48,107**	50,238
Equity-settled share option expense	36	**—**	277
Pension scheme contributions		**602**	640
		48,709	51,155
Foreign exchange differences, net*		**26,707**	31,368
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**21,125**	16,627
Impairment of loans to associates*	20	**2,184**	2,360
Impairment of trade receivables*	23	**635**	65
Impairment of a deposit and other receivables*		**96,970**	1,212
Impairment of goodwill*	17	**183**	—
Impairment of items of property, plant and equipment*	14	**—**	960
Fair value losses on derivative financial instruments*		**—**	1,158
Loss on disposal of items of property, plant and equipment*		**—**	8

* 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	
	2011	2010
	HK$'000	HK$'000
Interest on overdrafts and bank loans wholly repayable within five years	**43,277**	39,915
Interest on finance leases	**124**	131
Total interest expense on financial liabilities not at fair value through profit or loss	**43,401**	40,046

8. DIRECTORS' REMUNERATION

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

	Group	
	2011	2010
	HK$'000	HK$'000
Fees	**800**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**9,288**	9,135
Discretionary bonuses	**317**	303
Pension scheme contributions	**36**	36
	9,641	9,474
	10,441	10,274

8. DIRECTORS' REMUNERATION (Continued)

(a) Independent non-executive directors

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

	2011 **HK$'000**	2010 HK$'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 (2010: 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
2011					
Luk King Tin	**100**	**3,250**	**–**	**–**	**3,350**
Cheng Cheung	**100**	**1,690**	**–**	**–**	**1,790**
Luk Yan	**100**	**1,643**	**283**	**12**	**2,038**
Luk Fung	**100**	**1,663**	**34**	**12**	**1,809**
Fan Chiu Tat, Martin	**100**	**1,042**	**–**	**12**	**1,154**
	500	**9,288**	**317**	**36**	**10,141**
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

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 (2010: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2010: one) non-director, highest paid employee for the year are as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,387**	1,385
Discretionary bonuses	**70**	362
	1,457	1,747

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

	Number of employee	
	2011	2010
HK$1,000,001 to HK$1,500,000	**1**	—
HK$1,500,001 to HK$2,000,000	**—**	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 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.

	2011	2010
	HK$'000	HK$'000
Group:		
Current — elsewhere		
Charge for the year	**27,620**	24,603
Underprovision in prior years	**1,185**	6,807
Deferred (note 34)	**17,801**	(7,718)
Total tax charge for the year	**46,606**	23,692

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 15% to 25%.

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit 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 rate is as follows:

Group

	2011 Total HK$'000	2010 Total HK$'000
Profit before tax	**108,758**	67,749
Tax at the statutory tax rate	**27,278**	18,718
Lower tax rates for specific provinces or enacted by local authority	**(3,020)**	(7,199)
Adjustments in respect of current tax of previous periods	**1,185**	6,807
Profits and losses attributable to associates	**1,543**	876
Profits and losses attributable to a jointly-controlled entity	**957**	(9)
Income not subject to tax	**(6,225)**	(6,410)
Expenses not deductible for tax	**25,259**	6,781
Tax losses utilised	**(4,855)**	(1,545)
Tax losses not recognised	**4,484**	5,673
	46,606	23,692

The share of tax charge for the year ended 31 December 2011 attributable to a jointly-controlled entity and associates amounting to HK$17,000 (2010: HK$24,000) and HK$95,000 (2010: HK$84,000), respectively, are included in "Share of profits and losses of a jointly-controlled entity" and "Share of profits and losses of associates", respectively, in the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the year ended 31 December 2011 includes a loss of HK$28,354,000 (2010: loss of HK$35,730,000) which has been dealt with in the financial statements of the Company (note 37(d)).

12. DIVIDENDS

	2011 HK$'000	2010 HK$'000
Interim — HK2 cents (2010: HK4 cents) per ordinary share	**10,240**	20,456
Final proposed subsequent to the reporting period		
— HK3 cents (2010: HK2 cents) per ordinary share	**15,358**	10,240
	25,598	30,696

The final dividend proposed subsequent to the reporting period 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 511,942,295 (2010: 511,393,418) in issue during the year.

The calculation of diluted earnings per share amounts 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 of all dilutive potential ordinary shares into ordinary shares.

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

	2011 HK$'000	2010 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent,		
used in the basic and diluted earnings per share calculations	**63,997**	45,377

	Number of shares 2011	2010
Shares		
Weighted average number of ordinary shares in issue during		
the year used in the basic earnings per share calculation	**511,942,295**	511,393,418
Effect of dilution - weighted average number of ordinary shares:		
Share options	**201,363**	469,410
	512,143,658	511,862,828

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2011	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Launch HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2010 and at 1 January 2011:								
Cost	85,875	2,545	1,167,899	15,728	2,251	47,484	17,632	1,339,414
Accumulated depreciation	(48,211)	(2,024)	(242,236)	(14,662)	(2,251)	(19,116)	–	(328,500)
Net carrying amount	37,664	521	925,663	1,066	–	28,368	17,632	1,010,914
At 1 January 2011, net of accumulated depreciation	37,664	521	925,663	1,066	–	28,368	17,632	1,010,914
Additions	4,539	–	1,658	490	–	–	7,361	14,048
Transfers	2,573	–	–	–	–	–	(2,573)	–
Depreciation provided during the year	(1,116)	(175)	(46,908)	(522)	–	(4,418)	–	(53,139)
Exchange realignment	(48)	–	(60,367)	(132)	–	(1,328)	(1,263)	(63,138)
At 31 December 2011, net of accumulated depreciation	43,612	346	820,046	902	–	22,622	21,157	908,685
At 31 December 2011:								
Cost	74,569	2,463	1,032,372	7,296	–	44,799	21,157	1,182,656
Accumulated depreciation	(30,957)	(2,117)	(212,326)	(6,394)	–	(22,177)	–	(273,971)
Net carrying amount	43,612	346	820,046	902	–	22,622	21,157	908,685

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

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	Launch HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2010:								
Cost	86,943	2,545	1,242,839	15,809	2,251	38,842	27,821	1,417,050
Accumulated depreciation	(47,605)	(1,843)	(199,337)	(14,360)	(2,251)	(14,703)	–	(280,099)
Net carrying amount	39,338	702	1,043,502	1,449	–	24,139	27,821	1,136,951
At 1 January 2010, net of accumulated depreciation	39,338	702	1,043,502	1,449	–	24,139	27,821	1,136,951
Additions	–	–	47	141	–	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)	(469)	–	(5,950)	–	(61,769)
Exchange realignment	(64)	–	(64,051)	(55)	–	(1,206)	(1,080)	(66,456)
At 31 December 2010, net of accumulated depreciation	37,664	521	925,663	1,066	–	28,368	17,632	1,010,914
At 31 December 2010:								
Cost	85,875	2,545	1,167,899	15,728	2,251	47,484	17,632	1,339,414
Accumulated depreciation	(48,211)	(2,024)	(242,236)	(14,662)	(2,251)	(19,116)	–	(328,500)
Net carrying amount	37,664	521	925,663	1,066	–	28,368	17,632	1,010,914

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Furniture, fixtures and office equipment HK$'000
31 December 2011	
At 31 December 2010 and at 1 January 2011:	
Cost	**486**
Accumulated depreciation	**(383)**
Net carrying amount	**103**
At 1 January 2011, net of accumulated depreciation	**103**
Additions	**94**
Depreciation provided during the year	**(56)**
At 31 December 2011, net of accumulated depreciation	**141**
At 31 December 2011:	
Cost	**580**
Accumulated depreciation	**(439)**
Net carrying amount	**141**

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company (Continued)

	Furniture, fixtures and office equipment HK$'000
31 December 2010	
At 1 January 2010:	
Cost	454
Accumulated depreciation	(339)
Net carrying amount	115
At 1 January 2010, net of accumulated depreciation	115
Additions	32
Depreciation provided during the year	(44)
At 31 December 2010, net of accumulated depreciation	103
At 31 December 2010:	
Cost	486
Accumulated depreciation	(383)
Net carrying amount	103

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

	Group	
	2011 HK$'000	2010 HK$'000
Situated in Hong Kong:		
Long-term leases	**35,617**	36,078
Situated elsewhere:		
Short-term leases	**7,995**	1,586
	43,612	37,664

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net carrying amount of the Group's property, plant and equipment held under finance leases included in the total amount of motor vehicles at 31 December 2011 was HK$927,000 (2010: HK$1,707,000).

At 31 December 2011, certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net carrying amount of HK$36,605,000 (2010: HK$37,363,000), plant and machinery with an aggregate net carrying amount of HK$683,476,000 (2010: HK$688,983,000), motor vehicles with an aggregate net carrying amount of HK$5,514,000 (2010: HK$6,546,000) and vessels with an aggregate net carrying amount of HK$15,047,000 (2010: HK$17,212,000) were pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTIES

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**1,286,704**	1,289,191
Additions	**—**	2,799
Net gain from a fair value adjustment	**89,566**	38,075
Exchange realignment	**(60,411)**	(43,361)
Carrying amount at 31 December	**1,315,859**	1,286,704

The Group's investment properties are held under the following lease terms:

	Group	
	2011	2010
	HK$'000	HK$'000
Situated in Hong Kong:		
Long-term leases	**25,004**	15,860
Medium-term leases	**219,930**	193,940
	244,934	209,800
Situated elsewhere:		
Long-term leases	**148,067**	141,018
Medium-term leases	**834,856**	853,541
Short-term leases	**88,002**	82,345
	1,070,925	1,076,904
	1,315,859	1,286,704

15. INVESTMENT PROPERTIES (Continued)

The investment properties were revalued on 31 December 2011 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 38(a) to the financial statements.

At 31 December 2011, certain of the Group's investment properties situated in Hong Kong with a carrying value of HK$186,000,000 (2010: HK$166,000,000) were pledged to secure general banking facilities granted to the Group (note 31).

Further particulars of the Group's investment properties are set out included on page 98.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount at 1 January	**20,556**	24,599
Recognised during the year (note 6)	**(2,662)**	(2,868)
Exchange realignment	**(2,050)**	(1,175)
Carrying amount at 31 December	**15,844**	20,556
Current portion included in prepayments, deposits and other receivables	**(2,608)**	(2,815)
Non-current portion	**13,236**	17,741

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

At 31 December 2011, the Group's prepaid land lease payments with an aggregate net carrying amount of HK$9,447,000 (2010: HK$14,959,000) were pledged to secure general banking facilities granted to the Group (note 31).

17. GOODWILL

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January:		
Cost	**262,558**	262,558
Accumulated impairment	**(262,375)**	(262,375)
Net carrying amount	**183**	183
Cost at 1 January, net of accumulated impairment	**183**	183
Impairment during the year (note 6)	**(183)**	—
Net carrying amount at 31 December	**—**	183

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the cement products cash-generating unit, which is a reportable segment, for impairment testing.

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% (2010: 13%).

Key assumptions were used in the value in use calculation of the cement products cash-generating unit for 31 December 2011 and 31 December 2010. 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 rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

18. INVESTMENTS IN SUBSIDIARIES

	Company 2011 HK$'000	2010 HK$'000
Unlisted shares, at cost	–	–
Due from subsidiaries	**2,236,532**	2,169,300
Due to subsidiaries	**(1,377,633)**	(1,219,055)
	858,899	950,245
Provision for amounts due from subsidiaries	**(137,678)**	(12,623)
	721,221	937,622

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

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 2011	2010	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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2011	2010	Principal activities
Luks Timber Investments Limited*	Hong Kong	HK$2	**100**	100	Investment holding
Luks Timber (Vietnam) Limited*	Vietnam	VND 15,715,698,000	**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	VND 751,329,773,000	**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	VND 193,639,051,000	**100**	100	Property investment and management
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

18. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2011	2010	Principal activities
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	VND 1,334,000,000,000	**75**	75	Property development
Thanh Phat Agricultural Product and Plastic Company Limited*	Vietnam	VND 35,000,000,000	**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 2011 HK$'000	Group 2010 HK$'000
Share of net assets	**21,654**	25,482
Due to a jointly-controlled entity	**(21,654)**	(21,654)
	–	3,828

The amount due to a jointly-controlled entity is unsecured, 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:

Name	Place of registration	Percentage of Ownership interest	Percentage of Voting power	Percentage of 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 2011 HK$'000	Group 2010 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	**4,053**	7,861
Non-current assets	**19,041**	18,922
Current liabilities	**(1,440)**	(1,301)
Net assets	**21,654**	25,482

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

	Group	
	2011	2010
	HK$'000	HK$'000
Share of a jointly-controlled entity's results:		
Revenue	**1,328**	1,557
Other income	**720**	382
	2,048	1,939
Total expenses	**(5,859)**	(1,878)
Tax	**(17)**	(24)
Profit/(loss) after tax	**(3,828)**	37

20. INVESTMENTS IN ASSOCIATES

	Group	
	2011	2010
	HK$'000	HK$'000
Share of net liabilities	**(6,832)**	(9,148)
Loans to associates	**140,491**	159,307
	133,659	150,159
Provision for impairment	**(38,673)**	(36,735)
	94,986	113,424

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

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**36,735**	34,759
Impairment losses recognised (note 6)	**2,184**	2,360
Exchange realignment	**(246)**	(384)
At 31 December	**38,673**	36,735

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

20. INVESTMENTS IN ASSOCIATES (Continued)

Particulars of the principal associates are as follows:

Name	Particulars of issued shares held	Place of incorporation	Percentage of equity attributable to the Group 2011	2010	Principal activity
Luks Truong Son Limited Company	Ordinary shares of VND 1 each	Vietnam	**49**	49	Exploitation and sale of limestone, sand and clay
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**	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.

The associates are indirectly held through the Company's 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 certain of its associates because the Group's share of loss of these associates exceeded the Group's investments in the associates. The amounts of the Group's unrecognised share of loss of these associates for the current year and cumulatively were approximately HK$931,000 (2010: HK$300) and HK$12,203,000 (2010: HK$11,272,000), respectively.

20. INVESTMENTS IN ASSOCIATES (Continued)

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

	2011 HK$'000	2010 HK$'000
Assets	**137,529**	140,104
Liabilities	**(197,693)**	(187,293)
Revenues	**57,244**	63,185
Loss after tax	**(14,535)**	(8,082)

21. PROPERTY FOR DEVELOPMENT

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

22. INVENTORIES

	Group	
	2011 HK$'000	2010 HK$'000
Raw materials	**19,020**	29,298
Consumables	**55,680**	43,474
Work in progress	**9,611**	10,417
Finished goods	**18,716**	10,017
	103,027	93,206

23. TRADE RECEIVABLES

	Group	
	2011 HK$'000	2010 HK$'000
Trade receivables	**55,924**	70,048
Impairment	**(1,872)**	(1,375)
	54,052	68,673

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.

23. TRADE RECEIVABLES (Continued)

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 provision, is as follows:

	Group	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**37,007**	41,535
31 to 60 days	**5,507**	11,597
61 to 90 days	**2,469**	3,782
91 to 120 days	**4,048**	3,222
Over 120 days	**5,021**	8,537
	54,052	68,673

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

	Group	
	2011	2010
	HK$'000	HK$'000
At 1 January	**1,375**	1,518
Impairment losses recognised (note 6)	**635**	65
Amount written off as uncollectable	**—**	(159)
Exchange realignment	**(138)**	(49)
	1,872	1,375

The above provision for impairment of trade receivables represents provision for individually impaired trade receivables, which relates to customers that were in default.

23. TRADE RECEIVABLES (Continued)

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

	Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**40,604**	53,132
Less than 3 months past due	**8,703**	9,486
Over 3 months past due	**4,745**	6,055
	54,052	68,673

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.

24. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group	
	2011	2010
	HK$'000	HK$'000
Prepayments	**18,112**	21,593
Deposits	**134,425**	139,577
Other receivables	**3,422**	13,417
	155,959	174,587
Impairment of a deposit	**(96,373)**	—
	59,586	174,587
Non-current portion (note)	**(35,417)**	(138,331)
Current portion	**24,169**	36,256

Note: The balance included advances made for the acquisition of land in Vietnam amounting to HK$35,417,000 (2010: HK$138,331,000) as at 31 December 2011.

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2011	2010
	HK$'000	HK$'000
Listed debt investments - overseas	**1,094**	1,094

The above debt investments as at 31 December 2011 and 2010 were classified as held for trading.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**54,919**	172,513	**7,209**	28,575
Time deposits	**115,328**	7,289	**71,340**	7,289
Cash and cash equivalents	**170,247**	179,802	**78,549**	35,864

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 HK$1,533,000 (2010: HK$3,697,000) and HK$11,409,000 (2010: HK$28,047,000), 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 time deposits are deposited with creditworthy banks with no recent history of default.

27. 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	
	2011	2010
	HK$'000	HK$'000
0 to 30 days	**14,892**	17,930
31 to 60 days	**3,941**	6,408
61 to 90 days	**1,164**	3,974
91 to 120 days	**350**	399
Over 120 days	**8,443**	24,983
	28,790	53,694

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

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**9,357**	12,970	**–**	–
Deposits received	**21,802**	14,169	**–**	–
Accruals	**14,230**	14,835	**4,580**	5,027
Other payables	**57,595**	79,876	**86**	83
	102,984	121,850	**4,666**	5,110

Other payables are non-interest-bearing and are expected to be settled within one year.

29. DUE TO DIRECTORS

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

30. DUE TO A RELATED COMPANY

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

31. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group					
	2011			2010		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 32)		2012	553		2011	553
Bank loans secured	17.0 - 19.0	2012	112,951	13.5 - 18.5	2011	158,337
Current portion of long term bank loans — secured	1.88 - 20.0	2012	56,198	1.57 - 15.42	2011	61,850
Long term bank loans with an on demand clause — secured (Note)	1.88	on demand	28,175	1.57 - 15.42	on demand	72,926
			197,877			293,666
Non-current						
Finance lease payables (note 32)		2013	507		2012 - 2013	1,060
Bank loans — secured	2.24 - 20.0	2014	90,942	5.42 - 15.3	2012 - 2014	109,542
			91,449			110,602
			289,326			404,268

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

	Group	
	2011	2010
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand *	**197,324**	293,113
In the second year	**49,497**	34,198
In the third to fifth years, inclusive	**41,445**	75,344
	288,266	402,655
Other borrowings repayable:		
Within one year	**553**	553
In the second year	**507**	553
In the third to fifth years, inclusive	**—**	507
	1,060	1,613
	289,326	404,268

* The Group's term loan in the amount of HK$28,175,000 (2010: HK$72,926,000) 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$10,907,000 (HK$27,651,000) payable in second year and HK$17,268,000 (2010: HK$45,275,000) payable in the third to fifth years, inclusive.

Notes:

(a) 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:

(i) certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net carrying amount of HK$36,605,000 (2010: HK$37,363,000);

(ii) certain of the Group's prepaid land lease payments situated in Vietnam with an aggregate net carrying amount of HK$9,447,000 (2010: HK$14,959,000);

(iii) certain of the Group's investment properties situated in Hong Kong with an aggregate carrying amount of HK$186,000,000 (2010: HK$166,000,000);

(iv) certain of the Group's plant and machinery with an aggregate net carrying amount of HK$683,476,000 (2010: HK$688,983,000);

(v) certain of the Group's motor vehicles with an aggregate net carrying amount of HK$5,514,000 (2010: HK$6,546,000); and

(vi) certain of the Group's vessels with an aggregate net carrying amount of HK$15,047,000 (2010: HK$17,212,000).

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

Notes: (Continued)

(b) The secured bank loans are denominated in Hong Kong dollars, Vietnamese dong and United States dollars with aggregate amounts of HK$39,081,000 (2010: HK$49,987,000), HK$148,944,000 (2010: HK$220,810,000) and HK$100,241,000 (2010: HK$131,858,000), respectively.

(c) Other interest rate information:

	Group	
	2011	2010
	HK$'000	HK$'000
Fixed rate:		
Finance lease payables	**1,060**	1,613
Bank loans — secured	**112,951**	158,337
	114,011	159,950
Floating rate:		
Bank loans — secured	**175,315**	244,318
	289,326	404,268

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

32. 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 2011, 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	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**677**	677	**553**	553
In the second year	**621**	677	**507**	553
In the third to fifth years, inclusive	**—**	621	**—**	507
Total minimum finance lease payments	**1,298**	1,975	**1,060**	1,613
Future finance charges	**(238)**	(362)		
Total net finance lease payables	**1,060**	1,613		
Portion classified as current liabilities (note 31)	**(553)**	(553)		
Non-current portion (note 31)	**507**	1,060		

33. PROVISIONS

Group

	Long service payments	Environmental restoration	Total
	HK$'000	HK$'000	HK$'000
At 1 January 2011	4,106	1,064	5,170
Additional provision	44	86	130
Amount utilised during the year	(33)	—	(33)
Exchange realignment	(19)	(81)	(100)
At 31 December 2011	4,098	1,069	5,167

33. PROVISIONS (Continued)

Company

	Long service payments HK$'000
At 1 January 2011	3,549
Additional provision	20
At 31 December 2011	3,569

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.

34. DEFERRED TAX

The movements in deferred tax liabilities and assets 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
At 1 January 2010	20,564	211,828	232,392
Charged/(credited) to the income statement during the year (note 10)	1,987	(1,962)	25
Exchange realignment	(1,063)	(9,193)	(10,256)
At 31 December 2010 and 1 January 2011	21,488	200,673	222,161
Charged to the income statement during the year (note 10)	4,814	13,659	18,473
Exchange realignment	(1,687)	(12,825)	(14,512)
At 31 December 2011	24,615	201,507	226,122

34. DEFERRED TAX (Continued)

Deferred tax assets

Group

	Provision and accruals HK$'000
At 1 January 2010	2,078
Credited to the income statement during the year (note 10)	7,743
Exchange realignment	(246)
At 31 December 2010 and 1 January 2011	9,575
Credited to the income statement during the year (note 10)	672
Exchange realignment	(722)
At 31 December 2011	9,525

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2011 HK$'000	2010 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**216,597**	212,586

The Group has tax losses arising in Hong Kong of HK$585,624,000 (2010: HK$592,072,000) that are available indefinitely and in Vietnam of HK$31,051,000 (2010: HK$28,399,000) 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.

At 31 December 2011, there was no significant unrecognised deferred tax liability (2010: Nil) for taxes that would be payable on the unremitted earnings of the Group's subsidiaries 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.

35. SHARE CAPITAL

	2011	2010
	HK$'000	HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
511,931,418 (2010: 511,393,418) ordinary shares of HK$0.01 each	**5,119**	5,114

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

	Notes	**Number of shares in issue**	**Issued capital** HK$'000
At 1 January 2010, 31 December 2010 and 1 January 2011		511,393,418	5,114
Share options exercised	(i)	600,000	6
Repurchase of shares	(ii)	(62,000)	(1)
At 31 December 2011		511,931,418	5,119

(i) During 2011, the subscription rights attached to 600,000 share options were exercised at the subscription price of HK$1.21 per share, resulting in the issue of 600,000 shares of HK$0.01 each for a total cash consideration of HK$726,000.

(ii) During the year, the Company purchased a total of 62,000 shares at an average price of HK$1.36 per share in the open market on the Stock Exchange, all of which were subsequently cancelled by the Company.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

36. 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.

36. SHARE OPTION SCHEME (Continued)

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

	2011 Weighted average exercise price HK$ per share	2011 Number of options '000	2010 Weighted average exercise price HK$ per share	2010 Number of options '000
At 1 January	**5.88**	**5,320**	5.88	5,320
Exercised during the year	**1.21**	**(600)**	—	—
Expired during the year	**6.47**	**(4,720)**	—	—
At 31 December	**—**	**—**	5.88	5,320

The weighted average share price at the date of exercise for share options exercised during the year was HK$1.21 per share (2010: No share options were exercised).

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period is as follows:

2010

Number of options '000	Exercise price* HK$ per share	Exercise period
750	1.21	30-5-2006 to 18-5-2011
470	3.18	25-10-2006 to 18-5-2011
2,350	5.04	1-2-2008 to 18-5-2011
1,650	10.06	25-9-2008 to 18-5-2011
100	4.34	5-8-2009 to 18-5-2011
5,320		

* The exercise price of the share options is subject to adjustment in case of rights or bonus issues or other similar changes in the Company's share capital.

36. SHARE OPTION SCHEME (Continued)

No share options were granted during the year. In the prior year, the Group recognised a share option expense HK$277,000 which included HK$17,000 and HK$260,000 recognised from the share options granted in 2008 and 2007, respectively.

The 600,000 share options exercised during the year resulted in the issue of 600,000 ordinary shares of the Company and new share capital of HK$6,000 and share premium of HK$801,000, as further detailed in note 37 to the financial statements.

At 31 December 2011, the Company had no (2010: 5,320,000) share options outstanding under the Scheme.

37. 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 page 24 of this annual report.

(b) The contributed surplus of the Group represents 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.

(c) Capital redemption reserve

Capital redemption reserve represents an amount equivalent to the par value of the ordinary shares cancelled at a result of the share repurchase.

37. RESERVES (Continued)

(d) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2010		749,626	390,988	9,786	636	(97,436)	1,053,600
Equity-settled share option arrangements	36	–	–	277	–	–	277
Loss for the year		–	–	–	–	(41,902)	(41,902)
Final 2009 dividend		–	(30,684)	–	–	–	(30,684)
Interim 2010 dividend	12	–	(20,456)	–	–	–	(20,456)
At 31 December 2010		749,626	339,848	10,063	636	(139,338)	960,835
Exercise of share option		801	–	(81)	–	–	720
Transfer of share option reserve upon the expiry of share options		–	–	(9,982)	–	9,982	–
Repurchase of shares		(84)	–	–	1	(1)	(84)
Loss for the year		–	–	–	–	(153,409)	(153,409)
Final 2010 dividend		–	(10,240)	–	–	–	(10,240)
Interim 2011 dividend	12	–	(10,240)	–	–	–	(10,240)
At 31 December 2011		750,343	319,368	–	637	(282,766)	787,582

The contributed surplus of the Company represents the excess of the carrying amount 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.

38. 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 2011, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2011 **HK$'000**	2010 HK$'000
Within one year	**104,910**	105,393
In the second to fifth years, inclusive	**74,730**	93,418
	179,640	198,811

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

	2011 **HK$'000**	2010 HK$'000
Within one year	**735**	1,186
In the second to fifth years, inclusive	**3,664**	3,543
After five years	**21,300**	22,779
	25,699	27,508

39. COMMITMENTS

In addition to the operating lease arrangements detailed in note 38(b) above, the Group had the following capital commitments at the end of the reporting period:

	2011 HK$'000	2010 HK$'000
Contracted, but not provided for:		
Land	**203,302**	219,547
Property, plant and equipment	**8,513**	9,193
Property for development	**830**	833
	212,645	229,573
Authorised, but not contracted for:		
Property for development	**37,658**	40,664
Contracted, but not provided for:		
Capital contribution payable to associates	**864**	933
	251,167	271,170

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

40. 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:

	2011 HK$'000	2010 HK$'000
Associates:		
Purchases of raw materials	**33,967**	36,946
Distribution charges	**—**	11,114
Interest income	**214**	824
Provision of management service to an associate	**2,223**	—

All of the above related party transactions were conducted in accordance with terms and conditions mutually agreed by both parties.

40. RELATED PARTY TRANSACTIONS (Continued)

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

	2011 HK$'000	2010 HK$'000
Short term employee benefits	**12,603**	12,725
Post-employment benefits	**36**	36
Total compensation paid to key management personnel	**12,639**	12,761

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

41. CONTINGENT LIABILITIES

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

	Company	
	2011 HK$'000	2010 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**674,300**	364,200

The Company has executed guarantees totalling HK$674,300,000 (2010: HK$364,200,000) with respect to banking facilities made available to its subsidiaries, of which HK$146,864,000 (2010: HK$194,184,000) were utilised as at 31 December 2011.

42. FINANCIAL STATEMENTS BY CATEGORY

Except for debt investments which are measured at fair value, all financial assets and liabilities of the company and the Group as at 31 December 2011 and 2010 are loans and receivable and financial liabilities stated at amortised cost respectively.

43. 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

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.

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
2011		
Hong Kong dollar	**100**	**(391)**
Vietnamese dong	**100**	**(360)**
United States dollar	**100**	**(1,002)**
Hong Kong dollar	**(100)**	**391**
Vietnamese dong	**(100)**	**360**
United States dollar	**(100)**	**1,002**
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

43. 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 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
2011		
If United States dollar weakens against Vietnamese dong	**1**	**2,103**
If United States dollar strengthens against Vietnamese dong	**(1)**	**(2,103)**
2010		
If United States dollar weakens against Vietnamese dong	1	3,044
If United States dollar strengthens against Vietnamese dong	(1)	(3,044)

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, 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.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

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.

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

	2011				
	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
Trade payables	28,790	–	–	–	28,790
Financial liabilities included in other payables and accruals	93,627	–	–	–	93,627
Due to directors	69	–	–	–	69
Due to a jointly-controlled entity	21,654	–	–	–	21,654
Due to a related company	4,339	–	–	–	4,339
Interest-bearing bank and other borrowings	228,599	60,311	43,713	–	332,623
Rental deposits	–	11,880	3,837	–	15,717
	377,078	72,191	47,550	–	496,819

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk (Continued)

(a) Group (Continued)

	2010				
	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
Trade payables	53,694	—	—	—	53,694
Financial liabilities included in other payables and accruals	108,880	—	—	—	108,880
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	335,545	42,002	82,759	—	460,306
Rental deposits	—	6,804	15,493	754	23,051
	524,192	48,806	98,252	754	672,004

(b) Company

	2011				
	Within one year or on demand HK$'000	**In the second year HK$'000**	**In the third to fifth years, inclusive HK$'000**	**Beyond five years HK$'000**	**Total HK$'000**
Due to subsidiaries	**—**	**—**	**—**	**1,377,633**	**1,377,633**
Financial liabilities included in other payables and accruals	**4,666**	**—**	**—**	**—**	**4,666**
Due to directors	**69**	**—**	**—**	**—**	**69**
Guarantees given to banks in connection with facilities granted to subsidiaries	**146,864**	**—**	**—**	**—**	**146,864**
	151,599	**—**	**—**	**1,377,633**	**1,529,232**

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(Continued)

Liquidity risk (Continued)

(b) Company (Continued)

	2010				
	Within one year or on demand HK$'000	In the second year HK$'000	In the third to fifth years, inclusive HK$'000	Beyond five years HK$'000	Total HK$'000
Due to subsidiaries	—	—	—	1,219,055	1,219,055
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
	199,369	—	—	1,219,055	1,418,424

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 2011 and 2010.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
(Continued)

Capital management (Continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. 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

	2011 **HK$'000**	2010 HK$'000
Interest-bearing bank and other borrowings (note 31)	**289,326**	404,268
Less: Cash and cash equivalents (note 26)	**(170,247)**	(179,802)
Net debt	**119,079**	224,466
Total equity	**2,069,667**	2,125,878
Gearing ratio	**5.8%**	10.6%

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2012.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2011

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 2011

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				
	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**62,152**	44,057	104,751	309,753	299,902
Attributable to:					
Owners of the parent	**63,997**	45,377	107,055	312,384	302,640
Non-controlling interests	**(1,845)**	(1,320)	(2,304)	(2,631)	(2,738)
	62,152	44,057	104,751	309,753	299,902

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2011	2010	2009	2008	2007
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,757,202**	2,986,708	3,201,064	3,144,138	2,877,837
TOTAL LIABILITIES	**(687,535)**	(860,830)	(1,000,348)	(940,737)	(622,122)
NON-CONTROLLING INTERESTS	**3,968**	4,137	2,400	5,315	4,070
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT	**2,073,635**	2,130,015	2,203,116	2,208,716	2,259,785