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

2012

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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

While other Southeast Asian countries were enjoying strong inflow of foreign capital boosting their economies, Vietnam was left alone in its economic woes and difficulties in 2012. Only ahead of Cambodia, Vietnam was ranked the second-lowest among the eight members of ASEAN and 75th in the world (a drop from 59th of last year), by the "Global Competitiveness Report 2012" for its competitiveness. Vietnam had indeed the worst economic performance in a decade for the year of 2012, with its GDP growth rate dropped to a 13-year low of 5.03%. Foreign direct investments ("FDI") continued to decline 4.9% to US$10.46 billion when compared to last year, which was accounted for only about one-seventh of its peak in 2008 of US$71 billion.

During 2012, in order to control surging inflation, the government adopted tightened measures throughout the year, leading to operations and survival of local enterprises become very difficult. There were over 55,000 companies dissolved in 2012 according to official statistics. Moreover, as a by-product of the stagnant real estate sector, bad debts in banking sector were mounting to as high as 9% of total outstanding loans. As a result, credit growth in 2012 recorded its lowest rate of 6.45% since a decade.

Nevertheless, encouraging figures were also notable in Vietnam economy during the year. With dedicated efforts by the government, inflation rate dramatically went down to 6.81% as compared to 18.13% of 2011. Bank's commercial lending rate was generally lowered to 11% as at December 2012 from that of 18.5% of December 2011. Besides, there was a surprising turn from decade-long trade deficit to surplus of US$284 million in 2012, which was mainly attributable to an increase in exports and a shrink in demand for import. As a consequence of the trade surplus, national foreign exchange reserve increased and Vietnam dong ("VND") was stable during the year. Foreseeing 2013, with the government's pledge to boost the economy while it has become more stable, it is hope that Vietnam economy will be back to a steady upward track from 2013 onwards. The government has forecasted a mild GDP growth rate of 5.5% for 2013.

Under the harsh economic environment in 2012, both the major investments of the Group in Vietnam, namely cement business and office leasing business inevitably got hit by different extent. Looking forward to 2013, although general situation of Vietnam economy has been back to stable, recovery has yet seen obvious. Business environment for the first half of 2013 shall still be tough while improvement shall be expected for the second half of the year.

For the year ended 31 December 2012, the Group recorded a turnover of HK$669,315,000, representing a decrease of 17.9% as compared to HK$815,463,000 of last year. Turnover from the cement business was HK$536,828,000 representing a year-on-year decrease of 20.8%, whereas turnover from the property investment was HK$124,299,000, representing a decrease of 2.9% as compared to 2011.

The consolidated net profit attributable to shareholders was HK$129,361,000 for the year, representing an increase of approximately 102.1% when compared to HK$63,997,000 of 2011. Earnings per share for 2012 was HK 25.3 cents (2011: HK 12.5 cents).

Cement Business

In 2012, the total quantity sales of cement and clinkers achieved by the Group's cement plant was 1,306,000 tons, representing a decrease of 26.9% as compared to 2011, whereas the sales amount was HK$536,828,000, representing a year-on-year decrease of 20.8%. Although sales of cement recorded a significant drop in 2012, net profit after tax of the cement business attributable to the Group was HK$63,401,000, representing an increase of approximately 40% as compared to last year.

In 2012, real estate sector remained stagnant and thus demand for civil consumption of cement was low. As a result of the government austerity measures, public spending was substantially cut. Most of the infrastructure projects and constructions were suspended. Even worst, due to revelation of high bad debts ratio of the banking sector, the government started to tighten control of bank's lending on the second half of 2012. As a whole, Vietnam domestic demand for cement was weak in 2012. According to Vietnam Cement Association ("VCA"), domestic consumption of cement in 2012 declined to 45.5 million tons from 49.3 million tons of 2011.

During the year, production cost was still on rising although in a moderate manner as compared to the past 2 years. Electricity and coal price increased for 10% and 4.3% respectively in 2012. The Group strived to control costs during the year and successfully reduced administrative and distribution expenses of the cement plant. Besides, seeing a more stable VND, the Group refinanced most of the high-interest VND borrowings of the cement plant with low-interest HKD loans, resulted in a substantial saving of interest expense of the cement plant during the year. Whereas, the exchange rate of VND to HKD was stable throughout the year, significant exchange loss as recorded in last financial year was not recurred in 2012. Therefore, when compared to last year, the net profit of the Group's cement business recorded a significant increase despite the unsatisfactory sales for 2012.

Foreseeing 2013, the oversupply situation of Vietnam cement market persists although demand of cement is expected to bounce back to 48-49 million tons in 2013 per VCA's estimation. Competition remains fierce. Whereas production cost is expected to be more stable as inflation has become under control.

Saigon Trade Center and Property Investments

In 2012, appetite of foreign investments in Vietnam continued to remain low. Indeed, foreign direct investments in Vietnam from most countries dropped significantly, except Japan. Japan's investments surged 40% during the year which largely compensated the drop of other countries' investments in 2012. Vietnam recorded a mere 10.46 billion FDI in 2012, a drop of 4.9% comparing to last year.

With only limited inflow of foreign investors, demand for office spaces was generally weak. On the other hand, new supply of office spaces seeping into the market resulted in fiercer competition during the year.

As at 31 December 2012, occupancy rate of Saigon Trade Centre declined to 79%, as compared to 82% of 2011. Average rental rate also dropped for about 3% on a year-on-year comparison. The total rental income from Saigon Trade Centre decreased for about 3% as compared to last year.

Looking forward to 2013, increasing new supply of office spaces in the market continues to pose pressure on both the occupancy rate and the rental rate of Saigon Trade Centre. Only if foreign investors become keener in investing in Vietnam market can we see a better demand growth of office spaces in Ho Chi Minh City.

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

Benefit by capital value appreciation of the Group's property in China and Hong Kong, the Group recorded an increase in property revaluation surplus of HK$61,433,000 in 2012, representing a decrease of 31.4% as compared to HK$89,566,000 of last year.

Property Development

The property market in Vietnam remained stagnant in 2012. The Group's project in Binh Thanh District, Ho Chi Minh City has been put on hold and construction is not expected to kick start until the market shows clear signs of improvement.

Apart from Vietnam, the Group has also a residential property development project in Ulaanbaatar of Mongolia. The first phase comprising of 20 units of independent villa and townhouse was largely completed. The Group has launched marketing and sales of the units during 2012. Yet, sales up-to-date have yet to be promising.

Dividend

The board of directors recommended to distribute a final dividend of HK 3.5 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 2012 will be HK 5.5 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

21 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The Group's cash, bank balances and time deposits as at 31 December 2012 amounted to HK$215,324,000 (31 December 2011: HK$170,247,000). The Group's total borrowings amounted to HK$216,573,000 (31 December 2011: HK$289,326,000), of which HK$179,082,000 (31 December 2011: HK$197,877,000) was repayable within 1 year and HK$37,491,000 (31 December 2011: HK$91,449,000) was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$, US$ and Vietnamese Dong ("VND") were 54.0%, 31.7% and 14.3% respectively. Of the total borrowings, about 14.7% were at fixed interest rates.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0.1% as at 31 December 2012 (31 December 2011: 5.8%).

Significant investments held

As at 31 December 2012, the Group has no significant investment held.

Employees and Remuneration Policy

As at 31 December 2012, the Group had approximately 1,430 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$46,927,000 for the year ended 31 December 2012 (31 December 2011: HK$48,709,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Details of charges

As at 31 December 2012, the Group pledged certain fixed assets at a net carrying value of HK$400,752,000, prepaid land lease payments at a net carrying value of HK$7,942,000 and certain investment properties at a carrying value of HK$252,000,000.

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, as well as the income of Saigon Trade Center. The exchange rate of VND to USD was comparatively stable throughout the year, with an appreciation of 0.8% as at 31 December 2012 when compared to the rate as at 31 December 2011. The Group suffered an exchange loss of HK$144,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited or the hedging is not cost efficient to do so. The high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. On the contrary, seeing a more stable VND's exchange rate, the Group replaced the cement plant's high interest rate VND borrowings with low interest rate HKD borrowings at the beginning of the year and thus notably trimmed the financial cost of the cement plant during the year. Yet, the move has also increased the Group's exposure to the foreign exchange risk of devaluation of VND.

Details of contingent liability

As at 31 December 2012, the Group has no significant contingent liability (31 December 2011: 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. The Company adopted the Code on Corporate Governance as stated in Appendix 14 of the Listing Rules.

During 2012, amendments were made to the Code on Corporate Governance. The revised Corporate Governance Code (the "Code") came into effect in 2012 and in light of the change, the Company has adopted the revised Code during the year.

Throughout the financial year ended 31 December 2012, the Company has complied with the code provisions set out in the Code the except for code provisions of A.4.1, A.4.2 and A.6.7.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin.

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.

In respect of code provision A.6.7, all three Non-executive Directors did not attend the annual general meeting of the Company held on 11 May 2012 due to their other business commitments.

THE BOARD

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 17 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.

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board's meetings. A Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

The Board convened eleven meetings during the financial year ended 31 December 2012. Mr. LUK King Tin, Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung and Mr. FAN Chiu Tat, Martin attended all board meetings while Mr. LIU Li Yuan, Mr. LIANG Fang and Mr. TAM Kan Wing attended five 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.

Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2012, :by:-

(A) reading newspapers, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.

(B) attending seminars and/or conference and/or forum

Mr. Luk King Tin, Mdm. Cheng Cheung and Mr. Liu Li Yuan have attained (A) above, whereas Mr. Luk Fung, Mr. Luk Yan, Fan Chiu Tat Martin, Mr. Tam Kan Wing and Mr. Liang Fang have attained both (A) and (B) above.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

Chairman and Chief Executive Officer

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations. According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. 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.

BOARD COMMITTEES

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

Audit Committee

The Company has set up an Audit Committee, comprised solely of all three independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. TAM Kan Wing. Mr. LIANG Fang is the chairman of the Audit Committee. All members of the Audit Committee have many years of finance and business management experience and expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditors' reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

On 30 March 2012, the Board adopted a set of the revised terms of reference of the Audit Committee, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In 2012, the audit committee met twice and all members attended both meetings. During the year, the Audit Committee performed the works as summarized below:

(i) reviewed and recommended 2011 final results, audit findings and draft final results announcement for the Board's approval;

(ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;

(iii) discussed and approved the audit fee for the Year 2012;

(iv) reviewed and recommended 2012 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(v) reviewed and recommended the revised terms of reference of the Audit Committee for the Boards approval; and

(vi) reviewed and recommended the Report on Internal Control for the Board's approval.

Remuneration Committee

The Company has set up a Remuneration Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company. Mr. LIU Li Yuan is the chairman of the remuneration committee.

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.

On 30 March, 2012, the Board adopted a set of the revised terms of reference of the Remuneration Committee, which has included changes in line with the Revised Code requirements effective from 1 April 2012. The revised terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In 2012, the Remuneration Committee met twice. All members attended both meetings. During the year, the Remuneration Committee performed the works as summarized below:

(i) reviewed the existing policy and structure for the remuneration of Directors;

(ii) reviewed the existing remuneration packages of the Executive Directors;

(iii) reviewed the existing remuneration of the Independent Non-Executive Directors;

(iv) reviewed and recommended the revised terms of reference of Remuneration Committee for the Board's approval; and

(v) reviewed and recommended the revision of remuneration and the renewal of the terms of appointment of the INEDs for one year commencing from 1 January 2013 for the Board's approval.

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. 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.

Nomination Committee

The Company has established a Nomination Committee on 30th March 2012, 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. Mr. LUK King Tin is the chairman of the nomination committee.

The primary responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and, reviewing the Committee's terms of reference and its own effectiveness and recommending to the Board from time to time any necessary changes.

In 2012, the Nomination Committee met once. All members attended the meetings. During the year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board and made recommendations on proposed changes to the Board to complement the Company's corporate strategy.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2012. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the "black out period" as specified in the Model Code.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

AUDITORS' REMUNERATION

Messrs. Ernst &Young has been re-appointed as the Company's auditor at the annual general meeting of 2012 until the conclusion of the next annual general meeting.

For the year ended 31 December 2012, amounts of HK$1,987,000 and HK$64,000 were paid to Ernst & Young for their statutory audit service and tax service respectively.

The statement of the Company's auditor, Messrs. Ernst &Young, regarding their reporting responsibilities is set out in the Independent Auditor's Report on page 21 and 22.

INTERNAL CONTROL

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, and 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 2012, 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.

SHAREHOLDERS' RIGHTS

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting. Any vote of Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and SEHK on the day of the general meeting. The memorandum of association of the Company and Bye-laws are available on the websites of the Company and SEHK. Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

COMMUNICATION WITH SHAREHOLDERS

The Board has established various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. The Company's auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditors' report.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the SEHK. Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

INVESTOR RELATIONS

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, investors' meetings and general meetings that may be convened, as well as making available all the disclosures submitted to SEHK to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

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 2012 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 23 to 105.

An interim dividend of HK 2 cents per ordinary share was paid on 9 October 2012. The directors recommend the payment of a final dividend of HK 3.5 cents per ordinary share in respect of the year to shareholders on the register of members on 6 May 2013.

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 108. 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 106.

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.

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:

Trading Day (day/month/year)	No. of Shares Repurchased	Price per Share Highest Price Paid (HK$)	Price per Share Lowest Price Paid (HK$)	Total Consideration Paid (HK$)
27/6/12	70,000	1.40	1.37	97,400
28/6/12	142,000	1.46	1.42	204,640
29/6/12	358,000	1.52	1.47	535,660
3/7/12	376,000	1.58	1.54	588,440
4/7/12	402,000	1.63	1.60	645,860
5/7/12	10,000	1.63	1.63	16,300
6/7/12	194,000	1.65	1.60	319,900
9/7/12	328,000	1.65	1.65	541,200
10/7/12	390,000	1.65	1.65	643,500
11/7/12	326,000	1.65	1.65	537,900
12/7/12	98,000	1.70	1.70	166,600
	2,694,000			4,297,400

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 2012, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$293,825,000 of which approximately HK$17,823,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$746,051,000, 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, Mr. Luk Yan and Mr. Fan Chiu Tat, Martin will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. The independent non-executive directors, Messrs. Liu Li Yuan, Liang Fang and Tam Kan Wing, are appointed for a period of one year and, being eligible, will offer themselves for re-election at the forthcoming general meeting.

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

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Mr. Luk King Tin, aged 75, 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 35 years. He is responsible for formulating the Group's strategies and policies.

Madam Cheng Cheung, aged 72, 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 35 years. She is mainly responsible for the finance, human resources and administrative functions of the Group.

Mr. Luk Yan, aged 48, 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 23 years.

Mr. Luk Fung, aged 44, 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 13 years.

Mr. Fan Chiu Tat, Martin, aged 46, 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 23 years.

Mr. Liu Li Yuan, aged 61, 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 60, 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 47, 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 24 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 2012, 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)	194,874,399	—	62,684,958	257,559,357	50.58
Cheng Cheung	(b)	20,784,800	—	36,912,027	57,696,827	11.33
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
		223,359,599	174,000	99,596,985	323,130,584	63.45

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

Long positions in shares of an associated corporation:

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

Notes:

(a) Mr. Luk King Tin had a beneficial interest in KT (Holdings) Limited, which held 62,684,958 shares of the Company at the end of the reporting period.

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

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

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

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

Save as disclosed above, as at 31 December 2012, 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 2012, 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	12.31
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.25

Save as disclosed above, as at 31 December 2012, 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
21 March 2013

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

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 23 to 105, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

INDEPENDENT AUDITORS' REPORT

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 2012, 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
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

21 March 2013

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
REVENUE	5	**669,315**	815,463
Cost of sales		**(420,123)**	(509,009)
Gross profit		**249,192**	306,454
Other income and gains	5	**7,913**	11,907
Fair value gains on investment properties, net	15	**61,433**	89,566
Selling and distribution expenses		**(22,935)**	(45,700)
Administrative expenses		**(73,043)**	(70,602)
Other expenses		**(20,276)**	(128,198)
Finance costs	7	**(15,917)**	(43,401)
Share of loss of a jointly-controlled entity		**–**	(3,828)
Share of profits and losses of associates		**(17,851)**	(7,440)
PROFIT BEFORE TAX	6	**168,516**	108,758
Income tax expense	10	**(40,210)**	(46,606)
PROFIT FOR THE YEAR		**128,306**	62,152
Attributable to:			
Owners of the parent	11	**129,361**	63,997
Non-controlling interests		**(1,055)**	(1,845)
		128,306	62,152
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic		**HK25.3 cents**	HK12.5 cents
Diluted		**HK25.3 cents**	HK12.5 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 2012

	Note	2012 HK$'000	2011 HK$'000
PROFIT FOR THE YEAR		**128,306**	62,152
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange differences on translation of foreign operations		**5,149**	(98,524)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**5,149**	(98,524)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**133,455**	(36,372)
Attributable to:			
Owners of the parent	11	**134,425**	(36,541)
Non-controlling interests		**(970)**	169
		133,455	(36,372)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**870,126**	908,685
Investment properties	15	**1,383,230**	1,315,859
Prepaid land lease payments	16	**22,704**	13,236
Investment in a jointly-controlled entity	19	**–**	–
Investments in associates	20	**3,786**	94,986
Deposits	24	**36,084**	35,417
Properties for development	21	**101,142**	36,430
Total non-current assets		**2,417,072**	2,404,613
CURRENT ASSETS			
Inventories	22	**97,305**	103,027
Trade receivables	23	**42,995**	54,052
Prepayments, deposits and other receivables	24	**16,644**	24,169
Debt investments at fair value through profit or loss	25	**1,094**	1,094
Cash and cash equivalents	26	**215,324**	170,247
Total current assets		**373,362**	352,589
CURRENT LIABILITIES			
Trade payables	27	**26,227**	28,790
Other payables and accruals	28	**104,262**	102,984
Due to directors	29	**58**	69
Due to a related company	30	**4,339**	4,339
Interest-bearing bank and other borrowings	31	**179,082**	197,877
Tax payable		**24,512**	24,546
Total current liabilities		**338,480**	358,605
NET CURRENT ASSETS/(LIABILITIES)		**34,882**	(6,016)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,451,954**	2,398,597

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,451,954**	2,398,597
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	31	**37,491**	91,449
Rental deposits		**14,207**	15,717
Provisions	33	**5,064**	5,167
Deferred tax liabilities	34	**232,408**	216,597
Total non-current liabilities		**289,170**	328,930
Net assets		**2,162,784**	2,069,667
EQUITY			
Equity attributable to owners of the parent			
Issued capital	35	**5,092**	5,119
Reserves	37	**2,173,106**	2,068,516
		2,178,198	2,073,635
Non-controlling interests		**(15,414)**	(3,968)
Total equity		**2,162,784**	2,069,667

Luk King Tin
Director

Cheng Cheung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2012

		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 2011		5,114	749,626	491,538	10,063	636	(278,120)	1,151,158	2,130,015	(4,137)	2,125,878
Profit/(loss) 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
At 1 January 2012		**5,119**	**750,343**	**471,058**	**–**	**637**	**(378,658)**	**1,225,136**	**2,073,635**	**(3,968)**	**2,069,667**
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**129,361**	**129,361**	**(1,055)**	**128,306**
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**5,064**	**–**	**5,064**	**85**	**5,149**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**5,064**	**129,361**	**134,425**	**(970)**	**133,455**
Final 2011 dividend		**–**	**–**	**(15,358)**	**–**	**–**	**–**	**–**	**(15,358)**	**–**	**(15,358)**
Repurchase of shares	35	**(27)**	**(4,292)**	**–**	**–**	**27**	**–**	**(27)**	**(4,319)**	**–**	**(4,319)**
Acquisition of a subsidiary	38	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(10,476)**	**(10,476)**
Interim 2012 dividend	12	**–**	**–**	**(10,185)**	**–**	**–**	**–**	**–**	**(10,185)**	**–**	**(10,185)**
At 31 December 2012		**5,092**	**746,051***	**445,515***	**–***	**664***	**(373,594)***	**1,354,470***	**2,178,198**	**(15,414)**	**2,162,784**

* These reserve accounts comprise the consolidated reserves of HK$2,173,106,000 (2011: HK$2,068,516,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**168,516**	108,758
Adjustments for:			
Finance costs	7	**15,917**	43,401
Share of loss of a jointly-controlled entity		**–**	3,828
Share of profits and losses of associates		**17,851**	7,440
Interest income	5	**(4,994)**	(4,891)
Fair value gains on investment properties, net	15	**(61,433)**	(89,566)
Loss on disposal of items of property, plant and equipment	6	**1,531**	–
Depreciation	6	**48,972**	53,139
Amortisation of prepaid land lease payments	6	**2,523**	2,662
Impairment of goodwill	6	**–**	183
Impairment of loans to associates	6	**–**	2,184
Impairment of trade receivables	6	**956**	635
Impairment of a deposit and other receivables	6	**2,710**	96,970
Loss on acquisition of a subsidiary	38	**14,120**	–
		206,669	224,743
Decrease/(increase) in inventories		**6,363**	(19,304)
Decrease in trade receivables		**10,431**	8,969
Decrease in prepayments, deposits and other receivables		**11,751**	6,098
Decrease in trade payables		**(8,611)**	(21,540)
Decrease in other payables and accruals		**(24,851)**	(16,066)
Increase/(decrease) in provisions		**(111)**	97
Decrease in an amount due to a related company		**–**	(5)
Decrease in rental deposits		**(1,608)**	(6,120)
Cash generated from operations		**200,033**	176,872
Interest paid		**(25,838)**	(43,401)
Overseas taxes paid		**(15,843)**	(39,161)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**158,352**	94,310

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**158,352**	94,310
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,994**	4,891
Purchases of items of property, plant and equipment		**(4,292)**	(14,048)
Acquisition of a subsidiary		**10,581**	–
Repayment from/(loans to) associates		**(21,890)**	15,303
Proceed from disposal of items of property, plant and equipment		**1,009**	–
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**(9,598)**	6,146
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**168,569**	340,916
Repayment of bank loans		**(242,121)**	(428,205)
Capital element of finance lease rental payments		**(590)**	(553)
Repurchase of shares		**(4,319)**	(85)
Proceeds from issue of shares		**–**	726
Decrease in amounts due to directors		**(11)**	(6)
Dividends paid		**(25,543)**	(20,480)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(104,015)**	(107,687)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**44,739**	(7,231)
Cash and cash equivalents at beginning of year		**170,247**	179,802
Effect of foreign exchange rate changes, net		**338**	(2,324)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**215,324**	170,247
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	26	**106,036**	54,919
Non-pledged time deposits with original maturity of less than three months when acquired	26	**109,288**	115,328
		215,324	170,247

STATEMENT OF FINANCIAL POSITION

31 December 2012

	Notes	2012 HK$'000	2011 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**146**	141
Investments in subsidiaries	18	**603,526**	721,221
Total non-current assets		**603,672**	721,362
CURRENT ASSETS			
Debt investments at fair value through profit or loss	25	**1,094**	1,094
Cash and cash equivalents	26	**69,117**	78,549
Total current assets		**70,211**	79,643
CURRENT LIABILITIES			
Other payables and accruals	28	**4,907**	4,666
Due to directors	29	**58**	69
Total current liabilities		**4,965**	4,735
NET CURRENT ASSETS		**65,246**	74,908
TOTAL ASSETS LESS CURRENT LIABILITIES		**668,918**	796,270
NON-CURRENT LIABILITIES			
Provisions	33	**3,652**	3,569
Total non-current liabilities		**3,652**	3,569
Net assets		**665,266**	792,701
EQUITY			
Issued capital	35	**5,092**	5,119
Reserves	37(d)	**660,174**	787,582
Total equity		**665,266**	792,701

Luk King Tin
Director

Cheng Cheung
Director

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 ("HKICPA"), 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it 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.

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 revised HKFRSs for the first time for the current year's 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*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

Other than as further explained below regarding the impact of amendments to HKAS 12, the adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

The HKAS 12 Amendments clarify the determination of deferred tax for investment property measured at fair value and 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 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 has been rebutted by the Group for its investment properties located in the People's Republic of China (the "PRC") and the Socialist Republic of Vietnam ("Vietnam") since these properties are held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Accordingly the Group continues to measure deferred tax liabilities arising from the fair value changes of these investment properties using tax rate that would apply on recovery of the assets through use.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES (continued)

For the investment properties located in Hong Kong, it is expected that their carrying amounts will be recovered through sale. Therefore no provision of deferred tax liabilities is required on any fair value changes of these investment properties as there is no tax consequence for the disposal of these investment properties in Hong Kong.

The adoption of the amendments did not have any impact on the financial position or performance of the Group.

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 – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[3]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase I 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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

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 addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

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, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 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.

The HKAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (continued)

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.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to setoff" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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 are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group's policies are as follows:

(a) HKAS 1 *Presentation of Financial Statements*: Clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the previous period. The additional comparative information does not need to contain a complete set of financial statements.

    In addition, the amendment clarifies that the opening statement of financial position as at the beginning of the preceding period must be presented when an entity changes its accounting policies; makes retrospective restatements or makes reclassifications, and that change has a material effect on the statement of financial position. However, the related notes to the opening statement of financial position as at the beginning of the preceding period are not required to be presented.

(b) HKAS 32 *Financial Instruments: Presentation*: Clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with HKAS 12 *Income Taxes*. The amendment removes existing income tax requirements from HKAS 32 and requires entities to apply the requirements in HKAS 12 to any income tax arising from distributions to equity holders.

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. Adjustments are made to bring into any dissimilar accounting policies that may exist. 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.

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. Adjustments are made to bring into any dissimilar accounting policies that may exist. 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.

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 to 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 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-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the 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 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 has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties 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.

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 an 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(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).

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation (continued)

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

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

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

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

Investment properties

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

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as 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 them. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

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.

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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 write-off is later recovered, the recovery is credited to other expenses in the income statement.

Financial liabilities

Initial recognition and measurement

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Share-based payments

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 payments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payments (continued)

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.

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 payments, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

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

Dividends

Final dividends proposed by the directors are 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.

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 translation of a non-monetary item measured at fair value 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 the 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).

Any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries, a jointly-controlled entity and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing 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.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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 their accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

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

Operating lease commitments – Group as lessor

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

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

Impairment assessment for 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.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in the PRC, Vietnam and Hong Kong which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption made in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale. The presumption is rebutted only in the circumstance that there is sufficient evidences such as historical transaction, future development plan and management's intention to demonstrate the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by the management at each reporting date.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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.

Income taxes

The Group is subject to income taxes mainly in Hong Kong, the PRC and Vietnam. Significant judgement is required in determining the amount of the provision for income taxes. These are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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.

4. OPERATING SEGMENT INFORMATION (continued)

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 is excluded from such measurement.

(a) Business segments

Year ended 31 December	Cement products		Property investment		Property development		Corporate and others		Consolidated	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Segment revenue:										
Sales to external customers	**536,828**	677,428	**124,299**	128,034	**-**	–	**8,188**	10,001	**669,315**	815,463
Other income and gains	**1,985**	4,714	**921**	29	**-**	–	**13**	2,273	**2,919**	7,016
									672,234	822,479
Segment results	**84,550**	51,909	**154,781**	191,935	**(21,526)**	(99,656)	**(36,432)**	(29,053)	**181,373**	115,135
Reconciliation:										
Interest income									**4,994**	4,891
Share of profits and losses of associates	**401**	761	**-**	–	**(18,252)**	(8,201)	**-**	–	**(17,851)**	(7,440)
Share of loss of a jointly-controlled entity	**-**	–	**-**	(3,828)	**-**	–	**-**	–	**-**	(3,828)
Profit before tax									**168,516**	108,758
Income tax expense	**(21,550)**	(7,315)	**(18,524)**	(39,264)	**-**	–	**(136)**	(27)	**(40,210)**	(46,606)
Profit for the year									**128,306**	62,152
Segment assets	**1,025,959**	1,049,790	**1,471,455**	1,428,387	**167,794**	75,997	**121,440**	108,042	**2,786,648**	2,662,216
Reconciliation:										
Investments in associates	**3,783**	7,628	**-**	–	**-**	87,353	**3**	5	**3,786**	94,986
Total assets									**2,790,434**	2,757,202
Segment liabilities	**193,364**	350,864	**392,053**	319,321	**25,021**	1,074	**17,212**	16,276	**627,650**	687,535
Total liabilities									**627,650**	687,535
Other segment information:										
Depreciation	**46,794**	50,370	**1,452**	2,021	**241**	537	**485**	211	**48,972**	53,139
Capital expenditure	**3,617**	13,954	**598**	–	**-**	–	**77**	94	**4,292**	14,048
Impairment of loans to associates	**-**	2,184	**-**	–	**-**	–	**-**	–	**-**	2,184
Impairment of trade receivables	**956**	635	**-**	–	**-**	–	**-**	–	**956**	635
Impairment of a deposit and other receivables	**2,710**	–	**-**	–	**-**	96,373	**-**	597	**2,710**	96,970
Fair value gains on investment properties, net	**-**	–	**61,433**	89,566	**-**	–	**-**	–	**61,433**	89,566
Impairment of goodwill	**-**	183	**-**	–	**-**	–	**-**	–	**-**	183
Loss on acquisition of a subsidiary	**-**	–	**-**	–	**14,120**	–	**-**	–	**14,120**	–

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(a) Revenue from external customers

	2012 HK$'000	2011 HK$'000
Vietnam	**642,603**	791,051
Hong Kong	**17,325**	16,066
Mainland China	**9,387**	8,346
	669,315	815,463

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

(b) Non-current assets

	2012 HK$'000	2011 HK$'000
Vietnam	**1,713,079**	1,758,395
Hong Kong	**414,655**	417,246
Mainland China	**208,300**	228,972
Mongolia	**81,038**	–
	2,417,072	2,404,613

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

Information about a major customer

Revenue of approximately HK$144,520,000 (2011: HK$157,250,000) 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:

	2012	2011
	HK$'000	HK$'000
Revenue		
Sale of cement	**536,828**	677,428
Gross rental income	**124,299**	128,034
Sale of electronic products	**6,665**	5,489
Sale of traditional Chinese medicine products	**775**	1,229
Sale of plywood and other wood products	**748**	3,283
	669,315	815,463
Other income and gains		
Interest income	**4,994**	4,891
Income from sale of scrap materials	**359**	4,369
Others	**2,560**	2,647
	7,913	11,907

6. PROFIT BEFORE TAX

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

	Notes	2012 HK$'000	2011 HK$'000
Cost of inventories sold		**403,140**	487,884
Depreciation	14	**48,972**	53,139
Amortisation of prepaid land lease payments	16	**2,523**	2,662
Research and development costs*		**570**	240
Auditors' remuneration		**1,987**	1,791
Minimum operating lease payments in respect of land and buildings		**352**	686
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**46,372**	48,107
Pension scheme contributions		**555**	602
		46,927	48,709
Foreign exchange differences, net*		**144**	26,707
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**16,983**	21,125
Impairment of loans to associates*	20	**–**	2,184
Impairment of trade receivables*	23	**956**	635
Impairment of a deposit and other receivables*		**2,710**	96,970
Impairment of goodwill*	17	**–**	183
Write-off of inventories		**2,830**	–
Loss on disposal of items of property, plant and equipment*		**1,531**	–
Loss on acquisition of a subsidiary*	38	**14,120**	–

* 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	
	2012	2011
	HK$'000	HK$'000
Interest on bank loans		
wholly repayable within five years	**15,789**	43,277
Interest on finance leases	**128**	124
Total interest expense on financial liabilities		
not at fair value through profit or loss	**15,917**	43,401

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	
	2012	2011
	HK$'000	HK$'000
Fees	**853**	800
Other emoluments:		
Salaries, allowances and benefits in kind	**9,400**	9,288
Discretionary bonuses	**430**	317
Pension scheme contributions	**42**	36
	9,872	9,641
	10,725	10,441

8. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors

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

	2012 **HK$'000**	2011 HK$'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 (2011: 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**
2012					
Luk King Tin ("Mr. Luk")	**100**	**3,250**	**–**	**–**	**3,350**
Cheng Cheung	**100**	**1,690**	**–**	**–**	**1,790**
Luk Yan	**100**	**1,630**	**430**	**14**	**2,174**
Luk Fung	**153**	**1,738**	**–**	**14**	**1,905**
Fan Chiu Tat, Martin	**100**	**1,092**	**–**	**14**	**1,206**
	553	**9,400**	**430**	**42**	**10,425**
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

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 five (2011: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one non-director, highest paid employees for the prior year are as follows:

	Group	
	2012	2011
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**–**	1,387
Discretionary bonuses	**–**	70
	–	1,457

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

	Number of employee	
	2012	2011
HK$1,000,001 to HK$1,500,000	**–**	1

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 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.

	2012	2011
	HK$'000	HK$'000
Group:		
Current charge for the year		
Hong Kong	**147**	–
Elsewhere	**25,457**	27,620
Underprovision/(overprovision) in prior years		
Hong Kong	**(12)**	–
Elsewhere	**146**	1,185
Deferred (note 34)	**14,472**	17,801
Total tax charge for the year	**40,210**	46,606

10. INCOME TAX (continued)

In accordance with the relevant tax rules and regulations in Vietnam, certain of the Group's subsidiaries in Vietnam enjoy income tax exemptions and reductions. At present, the standard income tax rates applicable to these subsidiaries are 15% to 25%.

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

	2012 Total HK$'000	2011 Total HK$'000
Profit before tax	**168,516**	108,758
Tax at the statutory tax rates	**36,627**	27,278
Lower tax rates for specific provinces or enacted by local authority	**(1,915)**	(3,020)
Adjustments in respect of current tax of previous periods	**134**	1,185
Profits and losses attributable to associates	**3,282**	1,543
Loss attributable to a jointly-controlled entity	**–**	957
Income not subject to tax	**(17,311)**	(6,225)
Expenses not deductible for tax	**5,869**	25,259
Tax losses utilised	**(1,051)**	(4,855)
Tax losses not recognised	**14,575**	4,484
	40,210	46,606

The share of tax charge for the year ended 31 December 2012 attributable to a jointly-controlled entity and associates amounting to nil (2011: HK$17,000) and HK$57,000 (2011: HK$95,000), respectively, are included in "Share of loss 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 2012 includes a loss of HK$30,421,000 (2011: loss of HK$28,354,000) which has been dealt with in the financial statements of the Company (note 37(d)).

12. DIVIDENDS

	2012 HK$'000	2011 HK$'000
Interim – HK2 cents (2011: HK2 cents) per ordinary share	**10,185**	10,240
Final proposed subsequent to the reporting period – HK3.5 cents (2011: HK3 cents) per ordinary share	**17,823**	15,358
	28,008	25,598

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 510,562,046 (2011: 511,942,295) 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:

	2012 HK$'000	2011 HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**129,361**	63,997

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

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

	Number of shares	
	2012	2011
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**510,562,046**	511,942,295
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	201,363
	510,562,046	512,143,658

14. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2012	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles and vessels HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2011 and at 1 January 2012:							
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
At 1 January 2012, net of accumulated depreciation	43,612	346	820,046	902	22,622	21,157	908,685
Additions	–	–	2,971	373	948	–	4,292
Disposals	(1,043)	–	(1,365)	–	(132)	–	(2,540)
Transfers	–	–	5,364	–	–	(5,364)	–
Acquisition of a subsidiary (note 38)	–	7	2,368	108	393	–	2,876
Depreciation provided during the year	(858)	(173)	(43,721)	(377)	(3,843)	–	(48,972)
Exchange realignment	4	–	5,519	4	132	126	5,785
At 31 December 2012, net of accumulated depreciation	41,715	180	791,182	1,010	20,120	15,919	870,126
At 31 December 2012:							
Cost	73,672	2,475	1,050,434	7,800	46,134	15,919	1,196,434
Accumulated depreciation	(31,957)	(2,295)	(259,252)	(6,790)	(26,014)	–	(326,308)
Net carrying amount	41,715	180	791,182	1,010	20,120	15,919	870,126

14. PROPERTY, PLANT AND EQUIPMENT (continued)

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)

Company

	Furniture, fixtures and office equipment HK$'000
31 December 2012	
At 31 December 2011 and at 1 January 2012:	
Cost	**580**
Accumulated depreciation	**(439)**
Net carrying amount	**141**
At 1 January 2012, net of accumulated depreciation	**141**
Additions	**54**
Depreciation provided during the year	**(49)**
At 31 December 2012, net of accumulated depreciation	**146**
At 31 December 2012:	
Cost	**634**
Accumulated depreciation	**(488)**
Net carrying amount	**146**
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)

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

	Group	
	2012	2011
	HK$'000	HK$'000
Situated in Hong Kong:		
Long-term leases	**35,156**	35,617
Situated elsewhere:		
Short-term leases	**6,559**	7,995
	41,715	43,612

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 2012 was HK$780,000 (2011: HK$927,000).

At 31 December 2012, certain of the Group's leasehold land and buildings situated in Vietnam with an aggregate net carrying amount of HK$2,333,000 (2011: HK$36,605,000), plant and machinery with an aggregate net carrying amount of HK$385,505,000 (2011: HK$683,476,000), and motor vehicles and vessels with an aggregate net carrying amount of HK$12,914,000 (2011: HK$20,561,000) were pledged to secure general banking facilities granted to the Group (note 31).

15. INVESTMENT PROPERTIES

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**1,315,859**	1,286,704
Net gain from a fair value adjustment	**61,433**	89,566
Exchange realignment	**5,938**	(60,411)
Carrying amount at 31 December	**1,383,230**	1,315,859

15. INVESTMENT PROPERTIES (continued)

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

	Group 2012 HK$'000	2011 HK$'000
Situated in Hong Kong:		
Long-term leases	**36,786**	25,004
Medium-term leases	**295,480**	219,930
	332,266	244,934
Situated elsewhere:		
Long-term leases	**153,173**	148,067
Medium-term leases	**803,665**	834,856
Short-term leases	**94,126**	88,002
	1,050,964	1,070,925
	1,383,230	1,315,859

The investment properties were revalued on 31 December 2012 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 in note 39(a) to the financial statements.

At 31 December 2012, certain of the Group's investment properties situated in Hong Kong with a carrying value of HK$252,000,000 (2011: HK$186,000,000) were pledged to secure general banking facilities granted to the Group (note 31).

Further particulars of the Group's investment properties are set out on pages 106.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount at 1 January	**15,844**	20,556
Acquisition of a subsidiary (note 38)	**14,892**	–
Recognised during the year (note 6)	**(2,523)**	(2,662)
Exchange realignment	**(30)**	(2,050)
Carrying amount at 31 December	**28,183**	15,844
Current portion included in prepayments, deposits and other receivables	**(5,479)**	(2,608)
Non-current portion	**22,704**	13,236

The leasehold land is held under short-term leases and is situated in Vietnam and Mongolia.

At 31 December 2012, the Group's prepaid land lease payments with an aggregate net carrying amount of HK$7,942,000 (2011: HK$9,447,000) were pledged to secure general banking facilities granted to the Group (note 31).

17. GOODWILL

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January:		
Cost	**–**	262,558
Accumulated impairment	**–**	(262,375)
Net carrying amount	**–**	183
Cost at 1 January, net of accumulated impairment	**–**	183
Impairment during the year (note 6)	**–**	(183)
Net carrying amount at 31 December	**–**	–

17. GOODWILL (continued)

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 Group's goodwill has been fully impaired in the prior year.

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**2,263,512**	2,236,532
Due to subsidiaries	**(1,455,156)**	(1,377,633)
	808,356	858,899
Provision for amounts due from subsidiaries*	**(204,830)**	(137,678)
	603,526	721,221

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.

* An impairment was recognised for certain balances due from subsidiaries which are considered to be not recoverable as the subsidiaries were loss making and are not expected to be profitable in the foreseeable future.

18. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2012	2011	Principal activities
Luks Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$2	**100**	100	Investment holding
Luks Industrial Company Limited*	Hong Kong	HK$168,048,482	**100**	100	Property investment and investment holding
Luks Industrial (Bao An) Company Limited*#	Mainland China	HK$39,000,000	**100**	100	Property investment
Luks Vietnam Company Limited*	British Virgin Islands/ Hong Kong	US$3	**100**	100	Investment holding
Luks Timber Investments Limited*	Hong Kong	HK$2	**100**	100	Investment holding
Luks Timber (Vietnam) Limited*	Vietnam	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

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 2012	2011	Principal activities
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
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
Luks New Property Solution Company Limited*	Mongolia	US$100,000	**80**	51	Property development
Sangor (Vietnam) Limited*	British Virgin Islands/ Hong Kong	US$1	**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 2012	2011	Principal activities
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	VND35,000,000,000	**85**	85	Property development

* Held through subsidiaries

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

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

19. INVESTMENT IN A JOINTLY-CONTROLLED ENTITY

	Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**21,654**	21,654
Due to a jointly-controlled entity	**(21,654)**	(21,654)
	–	–

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.

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

Particulars of the jointly-controlled entity are as follows:

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

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

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

	Group	
	2012 HK$'000	2011 HK$'000
Share of a jointly-controlled entity's assets and liabilities:		
Current assets	**5,536**	4,053
Non-current assets	**18,111**	19,041
Current liabilities	**(1,993)**	(1,440)
Net assets	**21,654**	21,654
Share of a jointly-controlled entity's results:		
Revenue	**575**	1,328
Other income	**558**	720
	1,133	2,048
Total expenses	**(1,124)**	(5,859)
Tax	**(9)**	(17)
Loss after tax	**–**	(3,828)

20. INVESTMENTS IN ASSOCIATES

	Group 2012 HK$'000	Group 2011 HK$'000
Share of net assets/(liabilities)	**2,173**	(6,832)
Loans to associates	**40,352**	140,491
	42,525	133,659
Provision for impairment	**(38,739)**	(38,673)
	3,786	94,986

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 2012 HK$'000	Group 2011 HK$'000
At 1 January	**38,673**	36,735
Impairment losses recognised (note 6)	**–**	2,184
Exchange realignment	**66**	(246)
At 31 December	**38,739**	38,673

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 2012	2011	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

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$43,000 (2011: HK$931,000) and HK$12,246,000 (2011: HK$12,203,000), respectively.

20. INVESTMENTS IN ASSOCIATES (continued)

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

	2012 HK$'000	2011 HK$'000
Assets	**19,802**	137,529
Liabilities	**(64,467)**	(197,693)
Revenues	**22,828**	57,244
Profit/(loss) after tax	**819**	(14,535)

21. PROPERTIES FOR DEVELOPMENT

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

	Group	
	2012 HK$'000	2011 HK$'000
Situated in Vietnam		
Medium-term leases	**36,875**	36,430
Situated in Mongolia		
Short-terms leases	**64,267**	–
	101,142	36,430

22. INVENTORIES

	Group	
	2012 HK$'000	2011 HK$'000
Raw materials	**19,974**	19,020
Consumables	**45,747**	55,680
Work in progress	**10,150**	9,611
Finished goods	**21,434**	18,716
	97,305	103,027

23. TRADE RECEIVABLES

	Group 2012 HK$'000	Group 2011 HK$'000
Trade receivables	**45,835**	55,924
Impairment	**(2,840)**	(1,872)
	42,995	54,052

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

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

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

	Group 2012 HK$'000	Group 2011 HK$'000
0 to 30 days	**19,494**	37,007
31 to 60 days	**5,931**	5,507
61 to 90 days	**4,352**	2,469
91 to 120 days	**4,638**	4,048
Over 120 days	**8,580**	5,021
	42,995	54,052

23. TRADE RECEIVABLES (continued)

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

	Group	
	2012	2011
	HK$'000	HK$'000
At 1 January	**1,872**	1,375
Impairment losses recognised (note 6)	**956**	635
Exchange realignment	**12**	(138)
	2,840	1,872

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

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

	Group	
	2012	2011
	HK$'000	HK$'000
Neither past due nor impaired	**29,666**	40,604
Less than 3 months past due	**7,604**	8,703
Over 3 months past due	**5,725**	4,745
	42,995	54,052

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	
	2012	2011
	HK$'000	HK$'000
Prepayments	**10,638**	18,112
Deposits	**137,322**	134,425
Other receivables	**3,851**	3,422
	151,811	155,959
Impairment of a deposit and other receivables	**(99,083)**	(96,373)
	52,728	59,586
Non-current portion (note)	**(36,084)**	(35,417)
Current portion	**16,644**	24,169

Note: The balance included advances made for the acquisition of land in Vietnam amounting to HK$36,084,000 (2011: HK$35,417,000) as at 31 December 2012.

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2012	2011
	HK$'000	HK$'000
Listed debt investments – overseas	**1,094**	1,094

The above debt investments as at 31 December 2012 and 2011 were classified as held for trading.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**106,036**	54,919	**10,281**	7,209
Time deposits	**109,288**	115,328	**58,836**	71,340
Cash and cash equivalents	**215,324**	170,247	**69,117**	78,549

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$1,686,000 (2011: HK$1,533,000) and HK$25,358,000 (2011: HK$11,409,000), 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	
	2012	2011
	HK$'000	HK$'000
0 to 30 days	**11,364**	14,892
31 to 60 days	**1,472**	3,941
61 to 90 days	**706**	1,164
91 to 120 days	**56**	350
Over 120 days	**12,629**	8,443
	26,227	28,790

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

28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**7,686**	9,357	**–**	–
Deposits received	**22,974**	21,802	**–**	–
Accruals	**14,044**	14,230	**4,815**	4,580
Advances from non-controlling shareholders of certain subsidiaries	**24,424**	–	**–**	–
Other payables	**35,134**	57,595	**92**	86
	104,262	102,984	**4,907**	4,666

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 company controlled by Mr. Luk 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					
	2012			2011		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 32)		2013	655		2012	553
Bank loans secured	11.0	2013	30,999	17.0-19.0	2012	112,951
Current portion of long term bank loans – secured	1.9-6.64	2013	63,363	1.88-20.0	2012	56,198
Long term bank loans with an on demand clause – secured (Note)	1.9	on demand	84,065	1.88	on demand	28,175
			179,082			197,877
Non-current						
Finance lease payables (note 32)		2015	258		2013	507
Bank loans – secured	6.64	2014	37,233	2.24-20.0	2014	90,942
			37,491			91,449
			216,573			289,326

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

	Group	
	2012	2011
	HK$'000	HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand*	**178,427**	197,324
In the second year	**37,233**	49,497
In the third to fifth years, inclusive	**–**	41,445
	215,660	288,266
Other borrowings repayable:		
Within one year	**655**	553
In the second year	**148**	507
In the third to fifth years, inclusive	**110**	–
	913	1,060
	216,573	289,326

* The Group's term loan in the amount of HK$84,065,000 (2011: HK$28,175,000) 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$32,000,000 (HK$10,907,000) payable in second year and HK$52,065,000 (2011: HK$17,268,000) 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 Vietnam with an aggregate net carrying amount of HK$2,333,000 (2011: HK$36,605,000);

(ii) certain of the Group's prepaid land lease payments situated in Vietnam with an aggregate net carrying amount of HK$7,942,000 (2011: HK$9,447,000);

(iii) certain of the Group's investment properties situated in Hong Kong with an aggregate carrying amount of HK$252,000,000 (2011: HK$186,000,000);

(iv) certain of the Group's plant and machinery with an aggregate net carrying amount of HK$385,505,000 (2011: HK$683,476,000); and

(v) certain of the Group's motor vehicles and vessels with an aggregate net carrying amount of HK$12,914,000 (2011: HK$20,561,000).

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$116,065,000 (2011: HK$39,081,000), HK$30,999,000 (2011: HK$148,944,000) and HK$68,596,000 (2011: HK$100,241,000), respectively.

(c) Other interest rate information:

	Group	
	2012	2011
	HK$'000	HK$'000
Fixed rate:		
Finance lease payables	**913**	1,060
Bank loans – secured	**30,999**	112,951
	31,912	114,011
Floating rate:		
Bank loans – secured	**184,661**	175,315
	216,573	289,326

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 2012, 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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**783**	677	**655**	553
In the second year	**162**	621	**148**	507
In the third to fifth years, inclusive	**122**	–	**110**	–
Total minimum finance lease payments	**1,067**	1,298	**913**	1,060
Future finance charges	**(154)**	(238)		
Total net finance lease payables	**913**	1,060		
Portion classified as current liabilities (note 31)	**(655)**	(553)		
Non-current portion (note 31)	**258**	507		

33. PROVISIONS

Group

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2012	4,098	1,069	5,167
Additional provision	85	54	139
Amount utilised during the year	(250)	–	(250)
Exchange realignment	2	6	8
At 31 December 2012	3,935	1,129	5,064

Company

	Long service payments HK$'000
At 1 January 2012	3,569
Additional provision	83
At 31 December 2012	3,652

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 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 and 1 January 2012	24,615	201,507	226,122
Charged/(credit) to the income statement during the year (note 10)	15,508	(6,120)	9,388
Exchange realignment	171	1,223	1,394
At 31 December 2012	40,294	196,610	236,904

34. DEFERRED TAX (continued)

Deferred tax assets

Group

	Provision and accruals HK$'000
At 1 January 2011	9,575
Credited to the income statement during the year (note 10)	672
Exchange realignment	(722)
At 31 December 2011 and 1 January 2012	9,525
Charged to the income statement during the year (note 10)	(5,084)
Exchange realignment	55
At 31 December 2012	4,496

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:

	2012 HK$'000	2011 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**232,408**	216,597

The Group has tax losses arising in Hong Kong, Vietnam and Mongolia of HK$604,710,000 (2011: HK$585,624,000), HK$35,059,000 (2011: HK$31,051,000) and HK$20,275,000 (2011: Nil), respectively, that are available indefinitely, for a maximum of five years and for a maximum of two years, respectively, 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.

34. DEFERRED TAX (continued)

Pursuant to the PRC CIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries, jointly-controlled entity and associates established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2012, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK$11,531,000 at 31 December 2012 (2011: HK$4,500,000).

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

35. SHARE CAPITAL

	2012 **HK$'000**	2011 HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
509,237,418 (2011: 511,931,418) ordinary shares of HK$0.01 each	**5,092**	5,119

35. SHARE CAPITAL (continued)

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 2011		511,393,418	5,114
Share options exercised	(i)	600,000	6
Repurchase of shares	(ii)	(62,000)	(1)
At 31 December 2011 and 1 January 2012		511,931,418	5,119
Repurchase of shares	(ii)	(2,694,000)	(27)
At 31 December 2012		509,237,418	5,092

(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) The Company repurchased a total of 2,694,000 (2011: 62,000) shares at an average price of HK$1.60 per share (2011: 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 was expired on 18 May 2011.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in 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.

At 31 December 2012, the Company had no (2011: Nil) 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 27 of this financial statements.

(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.

(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 2011		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 and 1 January 2012		750,343	319,368	–	637	(282,766)	787,582
Repurchase of shares		(4,292)	–	–	27	(27)	(4,292)
Loss for the year		–	–	–	–	(97,573)	(97,573)
Final 2011 dividend		–	(15,358)	–	–	–	(15,358)
Interim 2012 dividend	12	–	(10,185)	–	–	–	(10,185)
At 31 December 2012		746,051	293,825	–	664	(380,366)	660,174

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. BUSINESS COMBINATION

In June 2012, the Group entered into a share transfer agreement (the "Share Transfer Agreement") with certain shareholders (the "Luks NCI") of Luks New Property Solution Company Limited ("Luks New Property"), and pursuant to which the Luks NCI agreed to transfer an aggregate of 29% equity interest (the "Share Transfer") in Luks New Property to the Group at no consideration. Upon completion of the Share Transfer on 12 September 2012, Luks New Property became a 80%-owned subsidiary of the Group. Luks New Property is principally engaged in property development in Mongolia.

The fair values of the identifiable assets and liabilities of Luks New Property as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition HK$'000**
Property, plant and equipment	14	2,876
Prepaid land lease payments	16	14,892
Properties for development		67,103
Prepayments and other receivables		4,471
Cash and bank balances		10,581
Trade payables		(5,918)
Other payables		(327)
Loans from shareholders		(146,056)
Non-controlling interests		10,476
Total identifiable net liabilities at fair value		(41,902)
Reclassification of investments in an associate (share of net liabilities)		27,782
Loss on acquisition of a subsidiary recognised in other expenses in the consolidated income statement	6	14,120
		–

An analysis of the cash flows in respect of the acquisition of Luks New Property is as follows:

	HK$'000
Cash and bank balances	10,581
Net inflow of cash and cash equivalents included in cash flows from investing activities	10,581

The results of the above subsidiary acquired had no significant impact on the Group's consolidated revenue or profit for the year.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to six years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2012, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**79,808**	104,910
In the second to fifth years, inclusive	**37,077**	74,730
	116,885	179,640

(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 2012, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2012	2011
	HK$'000	HK$'000
Within one year	**740**	735
In the second to fifth years, inclusive	**3,687**	3,664
After five years	**21,154**	21,300
	25,581	25,699

40. COMMITMENTS

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

	2012 **HK$'000**	2011 HK$'000
Contracted, but not provided for:		
Land	**204,569**	203,302
Property, plant and equipment	**8,565**	8,513
Properties for development	**13,058**	830
	226,192	212,645
Authorised, but not contracted for:		
Properties for development	**37,893**	37,658
Contracted, but not provided for:		
Capital contribution payable to associates	**870**	864
	264,955	251,167

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

41. RELATED PARTY TRANSACTIONS

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

	2012 **HK$'000**	2011 HK$'000
Associates:		
Purchases of raw materials	**23,680**	33,967
Interest income	**34**	214
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.

41. RELATED PARTY TRANSACTIONS (continued)

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

	2012 HK$'000	2011 HK$'000
Short term employee benefits	**11,461**	12,603
Post-employment benefits	**42**	36
Total compensation paid to key management personnel	**11,503**	12,639

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

42. CONTINGENT LIABILITIES

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

	Company	
	2012 HK$'000	2011 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**404,750**	674,300

The Company has executed guarantees totalling HK$404,750,000 (2011: HK$674,300,000) with respect to banking facilities made available to its subsidiaries, of which HK$184,661,000 (2011: HK$146,864,000) were utilised as at 31 December 2012.

43. FINANCIAL STATEMENTS BY CATEGORY

Except for debt instruments which are measured at fair value, all financial assets and liabilities of the Company and the Group as at 31 December 2012 and 2011 were loans and receivable and financial liabilities stated at amortised cost respectively.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

Interest rate risk

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

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**
2012		
Hong Kong dollar	**100**	**(1,161)**
Vietnamese dong	**100**	**N/A**
United States dollar	**100**	**(2,248)**
Hong Kong dollar	**(100)**	**1,161**
Vietnamese dong	**(100)**	**N/A**
United States dollar	**(100)**	**2,248**

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

	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

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).

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/ (decrease) in Vietnamese dong rate %	Increase/ (decrease) in profit before tax HK$'000
2012		
If United States dollar weakens against Vietnamese dong	**1**	**2,278**
If United States dollar strengthens against Vietnamese dong	**(1)**	**(2,278)**
2011		
If United States dollar weakens against Vietnamese dong	1	2,103
If United States dollar strengthens against Vietnamese dong	(1)	(2,103)

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.

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.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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

(a) Group

	2012				
	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	**26,227**	**–**	**–**	**–**	**26,227**
Financial liabilities included in other payables and accruals	**96,576**	**–**	**–**	**–**	**96,576**
Due to directors	**58**	**–**	**–**	**–**	**58**
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	**189,807**	**38,729**	**122**	**–**	**228,658**
Rental deposits	**–**	**6,368**	**7,839**	**–**	**14,207**
	338,661	**45,097**	**7,961**	**–**	**391,719**

	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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

(b) Company

	2012 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	–	–	–	1,455,156	1,455,156
Financial liabilities included in other payables and accruals	4,907	–	–	–	4,907
Due to directors	58	–	–	–	58
Guarantees given to banks in connection with facilities granted to subsidiaries	184,698	–	–	–	184,698
	189,663	–	–	1,455,156	1,644,819

	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

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. The Group aims to maintain a healthy and stable net gearing ratio. Capital represents equity attributable to owners of the parent. The gearing ratios as at the ends of the reporting periods were as follows:

Group

	2012 **HK$'000**	2011 HK$'000
Interest-bearing bank and other borrowings (note 31)	**216,573**	289,326
Less: Cash and cash equivalents (note 26)	**(215,324)**	(170,247)
Net debt	**1,249**	119,079
Total equity	**2,162,784**	2,069,667
Gearing ratio	**0.1%**	5.8%

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 March 2013.

PARTICULARS OF INVESTMENT PROPERTIES

31 December 2012

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 PROPERTIES FOR DEVELOPMENT

31 December 2012

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%
Happy Valley Khuliin Gol Street, 11 Khoroo Bayanzurkh District Ulaanbaatar Mongolia	Residential	580,000	80%

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				
	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**128,306**	62,152	44,057	104,751	309,753
Attributable to:					
Owners of the parent	**129,361**	63,997	45,377	107,055	312,384
Non-controlling interests	**(1,055)**	(1,845)	(1,320)	(2,304)	(2,631)
	128,306	62,152	44,057	104,751	309,753

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2012	2011	2010	2009	2008
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,790,434**	2,757,202	2,986,708	3,201,064	3,144,138
TOTAL LIABILITIES	**(627,650)**	(687,535)	(860,830)	(1,000,348)	(940,737)
NON-CONTROLLING INTERESTS	**15,414**	3,968	4,137	2,400	5,315
	2,178,198	2,073,635	2,130,015	2,203,116	2,208,716