



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

Stock Code : 0366

陸 氏

Interim Report
2013

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Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

Vietnam has been devastated by hiking inflation in recent years. After dedicated efforts by Vietnam government, inflation has finally been under control. As at June 2013, the inflation rate was 6.69%. Banks' lending rates also went down to about 7-8% from its peak of 18.5% two years ago. The exchange rate of Vietnamese Dong ("VND") to US dollar has been rather stable at around 21,000 since the end of 2011.

Although the economy has been stabilized, recovery was not impressive for the first half of 2013. The GDP grew 4.9% for the first six months of the year, a slight improvement comparing to 4.38% of the same period of last year. The government targets a 5.5% growth rate for the year of 2013, after achieving a 13-years' slowest growth rate of 5.03% in 2012.

Under the current depressed economic environment, the Group's businesses in Vietnam inevitably suffered from the impact. Both results of the cement business and the office leasing business posted declines in different extent during the period.

Looking for the full year of 2013, although signs of bottoming out in Vietnam's economy are notable, recovery is far from significant. It is expected that the economy will grow in a steady but slow pace and hopefully as expected by Prime Minister Nguyen Tan Dung, the GDP growth rate will achieve 6% or more in 2014.

For the six-month period ended 30 June 2013, the Group recorded a turnover of HK\$299,289,000, representing a decrease of 11.8% as compared to HK\$339,469,000 for the corresponding period of last year. Main sources of the Group's turnover came from its cement business and property investment business. The cement business recorded a turnover of HK\$236,910,000, representing a decrease of 13.3% as compared to that of last year. While the property investment business recorded a turnover of HK\$58,938,000, representing a decrease of 5.6% as compared to that of last year.

The Group recorded an unaudited consolidated net loss from ordinary activities attributable to the owners of the parent of HK\$38,705,000 for the first half of 2013, whereas an unaudited consolidated net profit of HK\$59,777,000 for the same period of 2012 was recorded. A provision of HK\$82,983,000 in full for investments in the Group's Mongolia Project was the main reason attributable to the loss. If the provision attributable to the Group has been taken out an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent would have been HK\$27,681,000 for the first half of 2013.

Cement Business

For the first half of 2013, the Group's cement plant recorded total sales of 565,000 tons of cement, representing a decrease of 18% as compared to the same period of last year.

The economy of Vietnam was very weak in the first half of 2013. Domestic consumption of cement continued to shrink 4% to only 22.7 million tons as compared to same period of last year. Real estate market remained stagnant and construction activities were in its lowest level since a decade.

According to the Chairman of the Vietnam Cement Association, cement price in Vietnam has been the lowest among the Southeast Asian countries, which could also explain the reason for a remarkable increase in export of cement by Vietnam during the first half of 2013, reaching a total of 6.8 million tons.

Throughout the period, the cement price maintained stable. Most of the costs of production were also stable except electricity and wages. Yet, Coal price retreated a bit during the period. Since the government raised the minimum wage level during the period, wages expense increased. However, the wages expense shared only a small proportion of the cement production cost, its impact was not significant. But electricity cost is expected to further increase in the second half of the year.

Following the bottom out of Vietnam's economy, infrastructure and construction activities shall be picking up gradually and thus demand for cement is expected to increase as well. However, the growth shall be modest and slow especially during the second half of 2013.

Saigon Trade Centre and Other investment properties

Although Vietnam was rated as one of the attractive destinations for future investments by foreign investors, according to a report by World Bank on 12 July 2013, foreign investors investing in Vietnam were seen shrinking since 2008. It was especially dwarfed by its competitors like Indonesia, Philippines, Thailand and a new favorite, Myanmar in attracting foreign investments.

During the period, investors already entered into Vietnam or having interests investing in Vietnam were both very cautious in actualize their investments, especially under the tough economic environment. As a consequence, the market was in a lack of new demand for office spaces. On the other hand, new offices, particularly for those small-block types developed by local companies, were seeping into the market. When all landlords were competing tenants from a small pool of foreign companies in the market, both rental rates and occupancy rates were inevitably being pressed.

As at 30 June 2013, the occupancy rate of the Saigon Trade Centre was 72%, a reduction of 7% as compared to 79% of year-end 2012. Overall rental income dropped about 10% as compared to same period of last year.

For other property investments in Hong Kong, the Group plans to re-develop its industrial building in Tuen Mun, the "Luks Industrial Building", into a hotel project, in pursuant to the Hong Kong government policy of revitalization of older industrial buildings. The Building consists of a gross floor area of approximately 200,000 sq. ft. It is located next to the Tuen Mun station of the West Rail Line and quite near to the newly opened V City Mall. The management believes that the proposed hotel project shall enhance return of the Building to the Group.

Apart from that, the Group holds a number of apartments in the Mandarin City in Hongqiao District of Shanghai for investment purpose for many years. As prices of those apartments have gone up quite substantially in recent years, returns from the rental income become unattractive. Therefore, the Group also seeks the opportunity to dispose the apartments in the market starting from this year.



Management Discussion and Analysis

Property Development

During the period, the real estate market in Ho Chi Minh City remained stagnant. The Group's residential project in Binh Thanh District of Ho Chi Minh City was still on hold. The Vietnam government has tried to revive the real estate market by launching some incentive measures, yet the effects are to be seen.

As disclosed in the announcement of the company published on 19 May 2013, the land use rights of the Group's residential project in Mongolia ("the Mongolia Project") were cancelled by an administrative directive of the Mongolia government. As a result the Group had to make a full provision of HK\$82,983,000 for its investments in the Mongolia Project. The Group is currently working with the local partner to seek for resolution hoping to minimize the loss of the Group in the Mongolia Project.

Dividend

Seeing an abundant cash reserve and a low debt ratio, the board of directors resolved to declare an interim dividend of HK3 cents per share to the shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2013 amounted to HK\$219,834,000 (as at 31 December 2012: HK\$215,324,000). The Group's total borrowings amounted to HK\$153,555,000 (as at 31 December 2012: HK\$216,573,000), of which HK\$131,902,000 was repayable within 1 year and HK\$21,653,000 repayable over 1 year. The percentage of the Group's borrowings denominated in HK\$ and US\$ were 65.5% and 34.5% respectively.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0% as at 30 June 2013 (31 December 2012: 0.1%).

Employees and Remuneration Policy

As at 30 June 2013, the Group had approximately 1,360 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$26,156,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2012.

Details of charges

As at 30 June 2013, the Group has pledged certain property, plant and equipment at a net book value of HK\$297,173,000 and certain investment properties at a carrying value of HK\$252,000,000 to secure banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. All of the borrowings of the Group's cement plant are denominated in HKD and USD, resulting in the Group's exposure to foreign exchange risk of devaluation of VND. The exchange rate of VND to HKD recorded a depreciation of 1.7% as at 30 June 2013 when compared to the rate as at 31 December 2012. The Group suffered an exchange loss of HK\$11,177,000 during the period. The Group's measures to minimize its exposure to the risk have not been changed from those disclosed on its annual report for the year ended 31 December 2012.

Details of contingent liabilities

As at 30 June 2013, the Group had no significant contingent liabilities (31 December 2012: Nil).





Interim Financial Statements

INTERIM RESULTS

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2013, together with the comparative figures for the corresponding period in 2012. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	Six months ended 30 June	
		2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
REVENUE	4	299,289	339,469
Cost of sales		(188,024)	(206,141)
Gross profit		111,265	133,328
Other income and gains	4	3,758	4,005
Selling and distribution expenses		(14,349)	(11,485)
Administrative expenses		(31,188)	(31,583)
Other expenses		(94,593)	(6,048)
Finance costs	5	(3,943)	(10,936)
Share of profits and losses of associates		(382)	162
PROFIT/(LOSS) BEFORE TAX	6	(29,432)	77,443
Income tax expense	7	(27,151)	(18,257)
PROFIT/(LOSS) FOR THE PERIOD		(56,583)	59,186
ATTRIBUTABLE TO:			
Owners of the parent		(38,705)	59,777
Non-controlling interests		(17,878)	(591)
		(56,583)	59,186
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic		HK(7.6 cents)	HK11.7 cents
Diluted		HK(7.6 cents)	HK11.7 cents

Details of dividends are disclosed in note 9 to the condensed consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(56,583)	59,186
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	(17,757)	3,400
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(17,757)	3,400
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	(74,340)	62,586
Attributable to:		
Owners of the parent	(56,965)	63,098
Non-controlling interests	(17,375)	(512)
	(74,340)	62,586



Interim Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	831,980	870,126
Investment properties	12	1,296,576	1,383,230
Prepaid land lease payments		8,240	22,704
Investment in a jointly-controlled entity		–	–
Investments in associates		3,565	3,786
Deposits		34,831	36,084
Properties for development		34,576	101,142
Total non-current assets		2,209,768	2,417,072
CURRENT ASSETS			
Inventories		91,012	97,305
Trade receivables	11	65,117	42,995
Prepayments, deposits and other receivables		9,372	16,644
Debt investments at fair value through profit or loss		1,094	1,094
Cash and cash equivalents		219,834	215,324
		386,429	373,362
Investment properties classified as held for sale	12	68,942	–
Total current assets		455,371	373,362
CURRENT LIABILITIES			
Trade payables	13	40,987	26,227
Other payables and accruals		103,826	104,262
Due to directors		180	58
Due to a related company		4,338	4,339
Interest-bearing bank and other borrowings		131,902	179,082
Tax payable		26,072	24,512
Total current liabilities		307,305	338,480
NET CURRENT ASSETS		148,066	34,882
TOTAL ASSETS LESS CURRENT LIABILITIES		2,357,834	2,451,954

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

30 June 2013

	Note	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,357,834	2,451,954
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		21,653	37,491
Rental deposits		16,454	14,207
Provisions		5,072	5,064
Deferred tax liabilities		244,034	232,408
Total non-current liabilities		287,213	289,170
Net assets		2,070,621	2,162,784
EQUITY			
Equity attributable to owners of the parent			
Issued capital	14	5,092	5,092
Reserves		2,098,318	2,173,106
		2,103,410	2,178,198
Non-controlling interests		(32,789)	(15,414)
Total equity		2,070,621	2,162,784



Interim Financial Statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2013

	Attributable to owners of the parent								
	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	5,092	746,051	445,515	664	(373,594)	1,354,470	2,178,198	(15,414)	2,162,784
Loss for the period	-	-	-	-	-	(38,705)	(38,705)	(17,878)	(56,583)
Other comprehensive income/(loss) for the period	-	-	-	-	(18,260)	-	(18,260)	503	(17,757)
Total comprehensive loss for the period	-	-	-	-	(18,260)	(38,705)	(56,965)	(17,375)	(74,340)
Final 2012 dividend approved	-	-	(17,823)	-	-	-	(17,823)	-	(17,823)
At 30 June 2013	5,092	746,051*	427,692*	664*	(391,854)*	1,315,765*	2,103,410	(32,789)	2,070,621

* These reserve accounts comprise the consolidated reserves of HK\$2,098,318,000 (31 December 2012: HK\$2,173,106,000) in the consolidated statement of financial position as at 30 June 2013.

	Attributable to owners of the parent									
	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Exchange fluctuation reserve	Retained profits	Treasury shares	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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 period	-	-	-	-	-	59,777	-	59,777	(591)	59,186
Other comprehensive income for the period	-	-	-	-	3,321	-	-	3,321	79	3,400
Total comprehensive income/(loss) for the period	-	-	-	-	3,321	59,777	-	63,098	(512)	62,586
Final 2011 dividend approved	-	-	(15,358)	-	-	-	-	(15,358)	-	(15,358)
Share repurchase	-	-	-	-	-	-	(841)	(841)	-	(841)
At 30 June 2012	5,119	750,343	455,700	637	(375,337)	1,284,913	(841)	2,120,534	(4,480)	2,116,054

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES	78,833	58,202
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES	6,022	(11,524)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(79,030)	(62,495)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	5,825	(15,817)
Cash and cash equivalents at beginning of period	215,324	170,247
Effect of foreign exchange rate changes, net	(1,315)	206
CASH AND CASH EQUIVALENTS AT END OF PERIOD	219,834	154,636
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	77,508	56,682
Non-pledged time deposits with original maturity of less than three months when acquired	142,326	97,954
	219,834	154,636



Notes to Condensed Consolidated Financial Statements

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Group are described in note 3 below.

These unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements for the year ended 31 December 2012.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2012 which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for investment properties and debt investments at fair value through profit or loss, which have been measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

HKFRS 1 Amendments	<i>Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i>
HKFRS 7 Amendments	<i>Amendments to HKFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i>
HKFRS 10	<i>Consolidated Financial Statements</i>
HKFRS 11	<i>Joint Arrangements</i>
HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	<i>Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – Transition Guidance</i>
HKFRS 13	<i>Fair Value Measurement</i>
HKAS 1 Amendments	<i>Amendments to HKAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i>
HKAS 19 (2011)	<i>Employee Benefits</i>
HKAS 27 (2011)	<i>Separate Financial Statements</i>
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i>
HK(IFRIC)-Int 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>
<i>Annual Improvements 2009 – 2011 Cycle</i>	<i>Amendments to a number of HKFRSs issued in June 2012</i>

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

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. OPERATING SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2013 and 2012.

	Cement products		Property investment		Property development		Corporate and others		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	236,910	273,265	58,938	62,414	-	-	3,441	3,790	299,289	339,469
Other income and gains	1,968	468	8	514	38	9	-	42	2,014	1,033
	238,878	273,733	58,946	62,928	38	9	3,441	3,832	301,303	340,502
Segment results	30,889	42,791	44,423	49,372	(90,149)	(1,310)	(15,957)	(16,544)	(30,794)	74,309
<i>Reconciliation:</i>										
Interest income									1,744	2,972
Share of profits and losses of associates	(382)	732	-	-	-	(570)	-	-	(382)	162
Profit/(loss) before tax									(29,432)	77,443
Income tax expense	(5,526)	(6,099)	(21,625)	(12,051)	-	-	-	(107)	(27,151)	(18,257)
Profit/(loss) for the period									(56,583)	59,186

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Revenue		
Sale of cement	236,910	273,265
Gross rental income	58,938	62,414
Sale of electronic products	3,168	3,191
Sale of traditional Chinese medicine products	211	214
Sale of plywood and other wood products	62	385
	299,289	339,469
Other income and gains		
Interest income	1,744	2,972
Gain on disposal of items of property, plant and equipment	354	–
Gain on disposal of scrap materials	478	–
Others	1,182	1,033
	3,758	4,005

5. FINANCE COSTS

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interest expense on:		
Bank loans wholly repayable within five years	3,874	10,874
Finance leases	69	62
	3,943	10,936

6. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax was determined after charging the following:

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Cost of inventories sold	179,969	200,460
Depreciation	24,961	25,194
Amortisation of land lease payments	1,260	1,359
Loss on disposal of an investment property	308	–
Impairment of prepayments and other receivables	3,526	2,707
Write-off of inventories to net realisable value	–	2,829
Write-off of items of property, plant and equipment	–	1,334
Impairment of prepaid land lease payments*	14,296	–
Impairment of properties for development*	65,161	–

* During the period ended 30 June 2013, the land use right of three parcel of lands held by the Group in Mongolia has been cancelled by the government directive of the Mongolian government. Further details of this event are set out in the Company's announcement published on 19 May 2013. As a result of the aforesaid event, impairment of the related prepaid land lease payments and properties for development amounted to HK\$14,296,000 and HK\$65,161,000, respectively has been charged to the consolidated income statement for the period.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2012: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Current charge for the period		
Hong Kong	–	107
Elsewhere	11,741	15,397
Land appreciation tax	248	–
Underprovision in prior years		
Elsewhere	226	–
Deferred	14,936	2,753
Total tax charge for the period	27,151	18,257

During six months ended 30 June 2012, the share of tax charges attributable to associates amounting to HK\$85,000 are included in “Share of profits and losses of associates” in the consolidated income statements.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculation	(38,705)	59,777

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (continued)

	Number of shares	
	Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	509,237,418	511,385,605

9. DIVIDEND

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Interim – HK3 cents (six months ended 30 June 2012: HK2 cents) per ordinary share	15,277	10,185

10. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2013, the Group incurred approximately HK\$995,000 (six months ended 30 June 2012: HK\$4,682,000) on the acquisition of items of property, plant and equipment.

11. TRADE RECEIVABLES

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

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

11. TRADE RECEIVABLES (continued)

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
0 to 30 days	42,286	19,494
31 to 60 days	7,817	5,931
61 to 90 days	3,733	4,352
91 to 120 days	1,705	4,638
Over 120 days	9,576	8,580
	65,117	42,995

12. INVESTMENT PROPERTIES CLASSIFIED AS HELD FOR SALE

During the period, certain investment properties with an aggregate amount of HK\$68,942,000 have been reclassified as “investment properties classified as held for sale” since the Group had entered into various sales and purchase agreements with certain purchasers (the “Purchasers”), and pursuant to which the Purchasers agreed to acquire the related properties owned by the Group located in Mainland China.

13. TRADE PAYABLES

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

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
0 to 30 days	9,718	11,364
31 to 60 days	5,841	1,472
61 to 90 days	1,482	706
91 to 120 days	2,797	56
Over 120 days	21,149	12,629
	40,987	26,227

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

14. SHARE CAPITAL

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Authorised:		
760,000,000 ordinary shares of HK\$0.01 each	7,600	7,600
Issued and fully paid:		
509,237,418 ordinary shares of HK\$0.01 each	5,092	5,092

15. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 30 June 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	78,920	79,808
In the second to fifth years, inclusive	93,010	37,077
	171,930	116,885

15. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its land and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to fifty years.

At 30 June 2013, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Within one year	911	740
In the second to fifth years, inclusive	3,646	3,687
After five years	20,003	21,154
	24,560	25,581

16. COMMITMENTS

In addition to the operating lease arrangements detailed in note 15 (b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2013 (Unaudited) HK\$'000	31 December 2012 (Audited) HK\$'000
Contracted, but not provided for:		
Land	201,100	204,569
Property, plant and equipment	–	8,565
Properties for development	12,608	13,058
	213,708	226,192
Authorised, but not contracted for:		
Properties for development	37,250	37,893
Contracted, but not provided for:		
Capital contribution payable to associates	855	870
	251,813	264,955

17. RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Associates:		
Purchases of raw materials	8,388	12,718
Interest income	52	53

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

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

	Six months ended 30 June	
	2013 (Unaudited) HK\$'000	2012 (Unaudited) HK\$'000
Short-term employee benefits	5,941	5,627
Post-employment benefits	30	25
Total compensation paid to key management personnel	5,971	5,652

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

18. CONTINGENT LIABILITIES

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

19. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2013.

Interim Dividend

The Board has resolved to declare an interim dividend of HK 3 cents (six months ended 30 June 2012: HK 2 cents) per ordinary share in issue in respect of the six months ended 30 June 2013 payable on or before 9 October 2013 to shareholders whose names are on the Registers of Members on 26 September 2013.

Closure of Register of Members

The Register of Members will be closed from Tuesday, 24 September 2013 to Thursday, 26 September 2013, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 23 September 2013. Cheques for interim dividends will be dispatched on or before 9 October 2013.

Directors' Interests in Shares and Underlying Shares

At 30 June 2013, the interests of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital
		Directly beneficially owned	Through spouse or minor children	Through controlled corporation		
Luk King Tin	(a)	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



Other Information

Long positions in shares of an associated corporation

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

Notes:

- (a) Mr. Luk King Tin had a beneficial interest in KT (Holdings) Limited, which held 62,684,958 shares of the Company at the end of the reporting period.
- (b) Madam Cheng Cheung had a beneficial interest in CC (Holdings) Limited, which held 36,912,027 shares of the Company at the end of the reporting period.
- (c) Mr. Luk Yan had a family interest, which held 174,000 shares of the Company at the end of the reporting period.
- (d) Mr. Luk King Tin and Mr. Luk Fung had a beneficial interest in Vigconic Biotechnology Company Limited, which held 2,462,402 shares of US\$1 each of VI at the balances sheet date.

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

Save as disclosed above, as at 30 June 2013, none of the directors had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

At no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests in Shares

At 30 June 2013, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares held	Percentage of the Company's issued share capital
KT (Holdings) Limited	Directly beneficially owned	62,684,958	12.31
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.25

Save as disclosed above, as at 30 June 2013, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' interests in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2013.





Other Information

Code on Corporate Governance Practices

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

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin. Mr. Luk being the founder of the Company, has been the Chairman and the Chief Executive Officer of the Company and in charge of the overall management of the Company since the beginning. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) According to the Company’s Bye-laws, the Chairman or Managing Director of the Company is not subject to retirement by rotation. Since the Chairman is responsible for the formulation and implementation of the Company’s strategies, which is essential to the stability of the Company’s business and thus the Board considers that the deviation is acceptable.
- (iii) 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 26 April 2013 due to their other business commitments.

Model Code for Securities Transactions

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

Audit Committee

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The audit committee comprises the three independent non-executive directors of the Company. These unaudited interim condensed consolidated financial statements for the six months ended 30 June 2013 now reported have been reviewed by the Company’s audit committee.

By Order of the Board

Luks Group (Vietnam Holdings) Co., Ltd.

Luk King Tin

Chairman

Hong Kong

27 August 2013