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 2013

Contents

Corporate Information

Executive Directors

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

Independent Non-Executive Directors

Liu Li Yuan
Liang Fang
Tam Kan Wing

Company Secretary

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

Principal Bankers

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

Auditors

Ernst & Young

Principal Share Registrar

Condan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar

Level 22, Hopewell Centre
183 Queen's Road East
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

In order to combat the skyrocketed inflation rate, the Vietnamese government adopted tightened macro-economic measures and monetary policies in recent years. After years of struggling, Vietnam economy was seen stabilized in 2013. Most of the economic figures demonstrated that the economy had touched the bottom in 2012 and set for a slow recovery in 2013. The Consumer Price Index, reflecting the country's inflationary pressure, was recorded in its lowest since a decade at 6.04%. On the other hand, the banks' lending rates to local businesses declined 2-5% to the level of 7-10% when compared to 2012. During 2012, Vietnam GDP growth rate hit its lowest record since 1999 of 5.03%, whereas in 2013 the GDP growth rate recorded a rebound to 5.42%. Besides, Vietnam recorded a trade surplus of over US$860 million in 2013, representing an increase of over 15% as compared to 2012, which was attributed to an increase in export during the year. While national foreign exchange reserve increased, foreign exchange rate of Vietnamese Dong ("VND") to USD was seen stable during the year. Moreover, during the year, the government strived for the clearance of bad debts of the banking sector, by merging some of the local commercial banks and having achieved in equitizing four stated-owned commercial banks in the year. In addition, the government purchased over US$1.6 billion bad debts from the banking sector during 2013 through the purposely set-up Vietnam Asset Management Company.

Although Vietnam economy was seen coming out from the bottom, its momentum remained weak. The pace of recovery was slow. Foreign investors were still in wary investing in Vietnam market. Seeing newly registered foreign direct investments ("FDI") bounced back to US$22.3 billion in 2013, yet the FDI disbursement during the year was only US$11.5 billion, a slight increase of 10% as compared to 2012. Major contributors to the economic growth in 2013 mainly came from industrial production and services sectors, whereas real estate development and construction sectors remained stagnant. As a result, the Group's major investments in Vietnam, namely the cement business and the office leasing business were not able to be benefitted. On the contrary, as a result of increasing supplies in the markets, both businesses were under pressure, resulting in drop of turnover and profits during the year.

Foreseeing the future, since Vietnam economy has just bottomed out, it is estimated that at least a year or two are required before the real estate market to pick up momentum and foreign investors to regain confidence investing in Vietnam. With its full recovery then, the Group's cement business, office leasing business and property development business shall be able to benefit from the accelerating growth of Vietnam economy.

For the year ended 31 December 2013, the Group recorded a turnover of HK$597,750,000, representing a decrease of 10.7% as compared to HK$669,315,000 of last year. Turnover from the cement business was HK$475,174,000 representing a year-on-year decrease of 11.5%, whereas turnover from the property investment was HK$114,062,000, representing a decrease of 8.2% as compared to 2012.

The consolidated net profit attributable to shareholders was HK$132,718,000 for the year, representing an increase of approximately 2.6% when compared to HK$129,361,000 of 2012. Earnings per share for 2013 were HK 26.1 cents (2012: HK25.3 cents).

Cement Business

In 2013, total sales quantity of cement and clinkers achieved by the Group's cement plant was 1,163,000 tons, representing a decrease of 10.9% as compared to 2012, whereas sales amount was HK$475,174,000, representing a year-on-year decrease of 11.5%. The net profit after tax of the cement business attributable to the Group was HK$49,604,000, representing a decrease of 21.8% as compared to last year. The net profit of the cement business for the year was achieved after deducting a provision of HK$11,282,000, being written off of an obsolete bags packaging production line.

During 2013, Vietnam as a whole produced 61 million tons of cement, in which domestic consumption was only 46 million, with the remaining 15 million tons for export. As the government continued to adopt austerity economic measures during the year, the real estate market remained stagnant. Most of the infrastructure development and construction projects were withheld. As a consequence, demand for cement in the domestic market was weak. With the under-demand situation persisted, some of the early planned cement plants came into operation in the year, resulted in aggravating competitiveness of the market. Fortunately, Vietnam government has stopped granting new license to new cement plants and is in the process of reviewing and cancelling licenses which have not yet been kick-started. According to the Ministry of Construction, there will not be any new cement plant coming into operation in 2015.

During 2013, the sales price of the Group's cement and clickers was rather stable. Benefit from the tamed inflation, the cost of production of the cement plant also came to stabilize in 2013. Except for the costs of electricity and labour, which recorded an increase of approximately 5%, most of the production costs remained stable, whereas coal price recorded a slight decline during the year.

Foreseeing 2014, while seeing Vietnam has been back to the recovery track, infrastructure and construction activities are expected to increase gradually. Domestic demand for cement shall therefore be back to an upward trend although probably in a slow pace. Yet on the other hand, some of the early planned cement plants will also come into operation in 2014 which will intensify the competition and thus create uncertainty in the cement market of 2014.

Saigon Trade Centre

Since 2008, foreign investments entering in Vietnam had been shrinking and only until 2013, the newly registered FDI was noted with a rebound. Yet, after the economy having been devastated for a number of years, foreign investors were very cautious in actualizing their investments in Vietnam market. Besides, a major of the foreign investments investing in the year were mainly in the sector of industrial production for export purpose only. Thus, demand for office spaces in the market remained sluggish during the year. Whereas on the other hand, an additional supply of office spaces from some newly completed office buildings has intensified the office leasing market competition. As a consequence, both the rental rate and the occupancy rate of the Saigon Trade Center suffered decline during the year.

As at 31 December 2013, the occupancy rate of the Saigon Trade Centre was 73%, a reduction of 6% as compared to 79% of year-end 2012. The overall rental income dropped about 11% when compared to last year.

Foreseeing 2014, the new supply of office spaces in the market will still pose a pressure on the leasing situation of the Saigon Trade Center. Only until the economy comes to a full scale recovery with foreign investors regaining confidence an interests investing in Vietnam, office leasing market will then have a stronger demand growth.

Hotel project in Hong Kong and other investment properties

Pursuant to the Hong Kong government policy of revitalization of old industrial buildings, the Group has a scheme to re-develop its industrial building in Tuen Mun, the "Luks Industrial Building", into a hotel project. 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. Benefit from the substantial increase in mainlanders travelling to Hong Kong, the Northwestern New Territories rapidly developed, yet hotels in the region are in a lack of. The management believes that the proposed hotel project will enhance return of the Building to the Group. The Group has already obtained approval from the government to revitalize the Building into a hotel project. The construction for its transformation is expected to start in the second half of 2014 and is scheduled to be completed at the end of 2016. The preliminary plan of the hotel project consists of approximately 300 hotel rooms and two floors of shopping mall with a total of approximately 15,000 square feet.

In China, the Group has held 28 units of apartment in Mandarine City, Hongqiao District of Shanghai for investment purpose since a decade ago. Since prices of the apartment units went up substantially in recent years, return from rental incomes became unattractive. Therefore, the Group started to dispose the apartment units in the market during 2013 and has successfully disposed a total of 20 units up to now.

Benefit by the capital value appreciation of the Group's property in Hong Kong, the Group recorded an increase in the property revaluation surplus of HK$127,305,000 in 2013, representing an increase of 107.2% as compared to HK$61,433,000 of last year.

Property Development

During 2013, 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, pending for suitable timing to develop. During the year, the Vietnam government tried to revive the real estate market by launching some incentive measures, such as to offer a total sum equivalent to US$1.4 billion of credit package in order to assist the public to purchase their own flats. Moreover, the government also pronounced to review the laws so as to uplift certain restrictions on foreign institutions and individuals in purchasing local properties in Vietnam. However, the effectiveness of those measures was yet to be seen during the year.

For the Group's Mongolia investment, as disclosed in the announcement of the company on 19th 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 impairment of HK$78,714,000 for its investments in the Mongolia Project during the year. The Group is currently working with the local partner to seek for possible resolutions with the aim of minimizing the loss of the Group in the Project.

Chairman's Statement

Dividend

Seeing an abundant cash reserve and the gearing ratio lowered to zero level, the board of directors recommended to distribute a final dividend of HK 7 cents per share to the shareholders and together with the interim dividend of HK 3 cents per share already distributed, the total dividend for the full year of 2013 will be HK 10 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

25 March 2014

Financial Review

The Group's cash, bank balances and time deposits as at 31 December 2013 amounted to HK$328,847,000 (31 December 2012: HK$215,324,000). The Group's total borrowings amounted to HK$131,273,000 (31 December 2012: HK$216,573,000), of which HK$131,273,000 (31 December 2012: HK$179,082,000) was repayable within 1 year and HK$0 (31 December 2012: HK$37,491,000) was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$, US$ and Vietnamese Dong ("VND") were 64.0%, 20.4% and 15.6% respectively. Of the total borrowings, about 15.6% 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% as at 31 December 2013 (31 December 2012: 0.1%).

Significant investments held

As at 31 December 2013, the Group has no significant investment held.

Employees and remuneration policy

As at 31 December 2013, the Group had approximately 1,150 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$46,261,000 for the year ended 31 December 2013 (31 December 2012: HK$46,927,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Details of charges

As at 31 December 2013, the Group pledged certain property, plant and equipment at a net carrying value of HK$546,931,000, prepaid land lease payments at a net carrying value of HK$6,256,000 and certain investment properties at a carrying value of HK$410,000,000.

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 a depreciation of 1.2% as at 31 December 2013 when compared to the rate as at 31 December 2012. The Group suffered an exchange loss in VND depreciation of HK$4,405,000 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 since 2012 and thus notably trimmed the financial cost of the cement plant. Yet, the move has also increased the Group's exposure to the foreign exchange risk of devaluation of VND. Besides, the Group recorded an exchange loss of HK$20,243,000 for the fund advanced to its Mongolia subsidiary as a result of the depreciation of Mongolian currency ("MNT") during the year.

Details of contingent liability

As at 31 December 2013, the Group has no significant contingent liability (31 December 2012: 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.

Throughout the financial year ended 31 December 2013, the Company has complied with the code provisions set out in the Code, 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 26 April 2013 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 page 19 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 twelve meetings during the financial year ended 31 December 2013. 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 three 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 2013, 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, Mr. Liang Fang and Mr. Liu Li Yuan have attained (A) above, whereas Mr. Luk Yan, Mr. Luk Fung, Fan Chiu Tat Martin and Mr. Tam Kan Wing 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.

In 2013, 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 2012 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) considered the audit fee for the Year 2013;

(iv) reviewed and recommended 2013 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.

In 2013, 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 set up a Nomination Committee, 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 2013, 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 2013. 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.

Auditor's Remuneration

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

For the year ended 31 December 2013, amounts of HK$1,978,000 and HK$69,300 are payable 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 pages 23 and 24.

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 2013, 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.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

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 17 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 2013 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 109.

An interim dividend of HK 3 cents per ordinary share was paid on 9 October 2013. The directors recommend the payment of a final dividend of HK 7 cents per ordinary share in respect of the year to shareholders on the register of members on 8 May 2014.

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 112. 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 110.

Share Capital and Share Options

Details of movements in the Company's share capital during the year are set out in notes 34 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$)
10/9/13	236,000	1.82	1.80	426,000
11/9/13	1,382,000	1.82	1.80	2,514,040
12/9/13	78,000	1.90	1.90	148,200
13/9/13	190,000	1.90	1.90	361,000
16/9/13	292,000	1.94	1.90	563,120
17/9/13	480,000	1.98	1.98	950,400
18/9/13	188,000	2.02	1.98	376,920
19/9/13	768,000	2.02	2.00	1,550,860
23/9/13	124,000	2.05	2.02	252,700
25/9/13	98,000	2.05	2.05	200,900
26/9/13	104,000	2.05	2.05	213,200
	3,940,000			7,557,340

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 35(d) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2013, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$260,807,000 of which approximately HK$35,371,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of approximately HK$738,496,000, may be distributed in the form of fully paid bonus shares.

Major Customers and Suppliers

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

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

Directors

The directors of the Company during the year were:

Executive directors:

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

Independent non-executive directors:

Liu Li Yuan
Liang Fang
Tam Kan Wing

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

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

Directors' and Senior Management's Biographies

Mr. Luk King Tin, aged 76, 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 36 years. He is responsible for formulating the Group's strategies and policies.

Madam Cheng Cheung, aged 73, 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 36 years. She is mainly responsible for the finance, human resources and administrative functions of the Group.

Mr. Luk Yan, aged 49, 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 24 years.

Mr. Luk Fung, aged 45, 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 14 years.

Mr. Fan Chiu Tat, Martin, aged 47, 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 24 years.

Mr. Liu Li Yuan, aged 62, 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 61, 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 48, 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 25 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 2013, 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)	195,900,399	—	62,684,958	258,585,357	51.17
Cheung Cheung	(b)	20,784,800	—	36,912,027	57,696,827	11.42
Luk Yan	(c)	3,070,800	174,000	—	3,244,800	0.64
Luk Fung		3,129,600	—	—	3,129,600	0.62
Fan Chiu Tat, Martin		1,500,000	—	—	1,500,000	0.30
		224,385,599	174,000	99,596,985	324,156,584	64.15

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 2013, 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

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.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 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:

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	12.41
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.31

Save as disclosed above, as at 31 December 2013, 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.

Annual General Meeting

The Annual General Meeting of the Company will be held at Hotel Nikko Hong Kong, Chairman's Place, M/F, 72 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:00 p.m. on Tuesday, 29 April 2014.

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
25 March 2014

EY 安永

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

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 25 to 109, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

Independent Auditors' Report

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

Auditors' responsibility (continued)

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 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

25 March 2014

Consolidated Statement of Profit or Loss

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
REVENUE	5	**597,750**	669,315
Cost of sales		**(377,008)**	(420,123)
Gross profit		**220,742**	249,192
Other income and gains	5	**21,514**	7,913
Fair value gains on investment properties, net	15	**127,305**	61,433
Selling and distribution expenses		**(29,314)**	(22,935)
Administrative expenses		**(68,982)**	(73,043)
Other expenses		**(125,745)**	(20,276)
Finance costs	7	**(6,496)**	(15,917)
Share of profits and losses of associates		**215**	(17,851)
PROFIT BEFORE TAX	6	**139,239**	168,516
Income tax expense	10	**(27,301)**	(40,210)
PROFIT FOR THE YEAR		**111,938**	128,306
Attributable to:			
Owners of the parent	11	**132,718**	129,361
Non-controlling interests		**(20,780)**	(1,055)
		111,938	128,306
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	13		
Basic and diluted		**HK26.1 cents**	HK25.3 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 2013

	Notes	2013 HK$'000	2012 HK$'000
PROFIT FOR THE YEAR		**111,938**	128,306
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**3,485**	5,149
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	14	**10,547**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR		**14,032**	5,149
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**125,970**	133,455
Attributable to:			
Owners of the parent	11	**143,449**	134,425
Non-controlling interests		**(17,479)**	(970)
		125,970	133,455

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**795,963**	870,126
Investment properties	15	**1,360,707**	1,383,230
Prepaid land lease payments	16	**8,173**	22,704
Investment in a joint venture	18	**–**	–
Investments in associates	19	**2,634**	3,786
Deposits	23	**34,908**	36,084
Properties for development	20	**34,255**	101,142
Total non-current assets		**2,236,640**	2,417,072
CURRENT ASSETS			
Inventories	21	**83,993**	97,305
Trade receivables	22	**38,221**	42,995
Prepayments, deposits and other receivables	23	**14,740**	16,644
Debt investments at fair value through profit or loss	24	**1,094**	1,094
Cash and cash equivalents	25	**328,847**	215,324
		466,895	373,362
Investment properties classified as held for sale	15	**95,041**	–
Total current assets		**561,936**	373,362
CURRENT LIABILITIES			
Trade payables	26	**26,110**	26,227
Other payables and accruals	27	**110,675**	104,262
Due to directors	28	**45**	58
Due to a related company	29	**4,588**	4,339
Interest-bearing bank and other borrowings	30	**131,273**	179,082
Tax payable		**42,139**	24,512
Total current liabilities		**314,830**	338,480
NET CURRENT ASSETS		**247,106**	34,882
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,483,746**	2,451,954

Consolidated Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,483,746**	2,451,954
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	30	**–**	37,491
Rental deposits		**20,197**	14,207
Provisions	32	**5,220**	5,064
Deferred tax liabilities	33	**210,187**	232,408
Total non-current liabilities		**235,604**	289,170
Net assets		**2,248,142**	2,162,784
EQUITY			
Equity attributable to owners of the parent			
Issued capital	34	**5,053**	5,092
Reserves	35	**2,275,982**	2,173,106
		2,281,035	2,178,198
Non-controlling interests		**(32,893)**	(15,414)
Total equity		**2,248,142**	2,162,784

Luk King Tin
Director

Cheng Cheung
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2013

	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000	Contributed surplus HK$'000 (note 35(b))	Capital redemption reserve HK$'000 (note 35(c))	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent								
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	34	(27)	(4,292)	–	27	–	(27)	(4,319)	–	(4,319)
Acquisition of a subsidiary	36	–	–	–	–	–	–	–	(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

	Notes	Issued capital HK$'000 (note 34)	Share premium account HK$'000	Contributed surplus HK$'000 (note 35(b))	Capital redemption reserve HK$'000 (note 35(c))	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent									
At 1 January 2013		5,092	746,051	445,515	664	–	(373,594)	1,354,470	2,178,198	(15,414)	2,162,784
Profit/(loss) for the year		–	–	–	–	–	–	132,718	132,718	(20,780)	111,938
Other comprehensive income for the year:											
Gain on property revaluation		–	–	–	–	10,547	–	–	10,547	–	10,547
Exchange differences on translation of foreign operations		–	–	–	–	–	184	–	184	3,301	3,485
Total comprehensive income/(loss) for the year		–	–	–	–	10,547	184	132,718	143,449	(17,479)	125,970
Final 2012 dividend		–	–	(17,823)	–	–	–	–	(17,823)	–	(17,823)
Repurchase of shares	34	(39)	(7,555)	–	39	–	–	(39)	(7,594)	–	(7,594)
Interim 2013 dividend	12	–	–	(15,195)	–	–	–	–	(15,195)	–	(15,195)
At 31 December 2013		5,053	738,496*	412,497*	703*	10,547*	(373,410)*	1,487,149*	2,281,035	(32,893)	2,248,142

* These reserve accounts comprise the consolidated reserves of HK$2,275,982,000 (2012: HK$2,173,106,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**139,239**	168,516
Adjustments for:			
Finance costs	7	**6,496**	15,917
Share of profits and losses of associates		**(215)**	17,851
Interest income	5	**(6,139)**	(4,994)
Fair value gains on investment properties, net	15	**(127,305)**	(61,433)
Loss/(gain) on disposal of items of property, plant and equipment	6	**(384)**	1,531
Loss on disposal of investment properties	6	**5,402**	–
Depreciation	6	**47,455**	48,972
Amortisation of prepaid land lease payments	6	**2,553**	2,523
Impairment of trade receivables	6	**248**	956
Impairment of prepayments, deposits and other receivables	6	**3,329**	2,710
Impairment of prepaid land lease payments	6	**13,498**	–
Impairment of properties for development	6	**61,887**	–
Impairment of property, plant and equipment	6	**15,916**	–
Loss on acquisition of a subsidiary	36	**–**	14,120
		161,980	206,669
Decrease in inventories		**12,185**	6,363
Decrease in trade receivables		**4,050**	10,431
Decrease/(increase) in prepayments, deposits and other receivables		**(4,521)**	11,751
Increase/(decrease) in trade payables		**444**	(8,611)
Increase/(decrease) in other payables and accruals		**32,795**	(24,851)
Increase/(decrease) in provisions		**169**	(111)
Increase in an amount due to a related company		**249**	–
Increase/(decrease) in rental deposits		**6,155**	(1,608)
Cash generated from operations		**213,506**	200,033
Interest paid		**(6,520)**	(25,838)
Taxes paid		**(29,883)**	(15,843)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**177,103**	158,352

	Notes	2013 HK$'000	2012 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**177,103**	158,352
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**6,139**	4,994
Purchases of items of property, plant and equipment		**(2,752)**	(4,292)
Acquisition of a subsidiary		**–**	10,581
Repayment from/(loans to) associates		**1,328**	(21,890)
Proceed from disposal of investment properties		**56,454**	–
Proceed from disposal of items of property, plant and equipment		**1,562**	1,009
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		**62,731**	(9,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**20,465**	168,569
Repayment of bank loans		**(103,699)**	(242,121)
Capital element of finance lease rental payments		**(913)**	(590)
Repurchase of shares		**(7,594)**	(4,319)
Decrease in amounts due to directors		**(13)**	(11)
Dividends paid		**(33,018)**	(25,543)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(124,772)**	(104,015)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**115,062**	44,739
Cash and cash equivalents at beginning of year		**215,324**	170,247
Effect of foreign exchange rate changes, net		**(1,539)**	338
CASH AND CASH EQUIVALENTS AT END OF YEAR		**328,847**	215,324
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	25	**82,517**	106,036
Non-pledged time deposits with original maturity of less than three months when acquired	25	**246,330**	109,288
		328,847	215,324

Statement of Financial Position

31 December 2013

	Notes	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	14	**112**	146
Investments in subsidiaries	17	**487,129**	603,526
Total non-current assets		**487,241**	603,672
CURRENT ASSETS			
Debt investments at fair value through profit or loss	24	**1,094**	1,094
Cash and cash equivalents	25	**111,074**	69,117
Total current assets		**112,168**	70,211
CURRENT LIABILITIES			
Other payables and accruals	27	**5,276**	4,907
Due to directors	28	**45**	58
Total current liabilities		**5,321**	4,965
NET CURRENT ASSETS		**106,847**	65,246
TOTAL ASSETS LESS CURRENT LIABILITIES		**594,088**	668,918
NON-CURRENT LIABILITIES			
Provisions	32	**3,845**	3,652
Total non-current liabilities		**3,845**	3,652
Net assets		**590,243**	665,266
EQUITY			
Issued capital	34	**5,053**	5,092
Reserves	35(d)	**585,190**	660,174
Total equity		**590,243**	665,266

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 2013. 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 on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. 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, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HKAS 36 Amendments	Amendments to HKAS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* (early adopted)
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009 – 2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

Other than as further explained below regarding the impact of HKFRS 10, HKFRS 11, HKFRS 12, HKFRS 13, HKAS 19 (2011), amendments to HKFRS 10, HKFRS 11, HKFRS 12, HKAS 1 and HKAS 36, and certain amendments included in *Annual Improvements 2009 – 2011 Cycle*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

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

(a) HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements and addresses the issues in HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. It establishes a single control model used for determining which entities are consolidated. To meet the definition of control in HKFRS 10, an investor must have (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled.

As a result of the application of HKFRS 10, the Group has changed the accounting policy with respect to determining which investees are controlled by the Group.

The application of HKFRS 10 does not change any of the consolidation conclusions of the Group in respect of its involvement with investees as at 1 January 2013.

(b) 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. The classification of joint arrangements under HKFRS 11 depends on the parties' rights and obligations arising from the arrangements. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities of the arrangement and is accounted for on a line-by-line basis to the extent of the joint operators' rights and obligations in the joint operation. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement and is required to be accounted for using the equity method in accordance with HKAS 28 (2011).

The application of HKFRS 11 does not change the equity accounting conclusion of the Group in respect of its investments in a joint venture.

(c) HKFRS 12 sets out 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. Details of the disclosures for subsidiaries, joint ventures and associates are included in notes 17, 18 and 19 to the financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

(d) The HKFRS 10, HKFRS 11 and HKFRS 12 Amendments 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.

(e) 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 rather provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. HKFRS 13 is applied prospectively and the adoption has had no material impact on the Group's fair value measurements. As a result of the guidance in HKFRS 13, the policies for measuring fair value have been amended. Additional disclosures required by HKFRS 13 for the fair value measurements of investment properties and financial instruments are included in notes 15 and 42 to the financial statements.

(f) The HKAS 1 Amendments change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) are presented separately from items which will never be reclassified (for example, the revaluation of land and buildings). The amendments have affected the presentation only and have had no impact on the financial position or performance of the Group. In addition, the Group has chosen to use the new title "statement of profit or loss" as introduced by the amendments in these financial statements.

(g) 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. As the Group does not have any defined benefit plan or employee termination plan and the Group does not have any significant employee benefits that are expected to be settled for more than twelve months after the reporting period, the adoption of the revised standard has had no effect on the financial position or performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(h) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash generating units for which an impairment loss has been recognised or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided HKFRS 13 is also applied. The Group has early adopted the amendments in these financial statements. The amendments have had no impact on the financial position or performance of the Group. Disclosures about the Group's impaired non-financial assets are included in notes 6, 14, 16, 19 and 20 to the financial statements.

(i) *Annual Improvements 2009 – 2011 Cycle* issued in June 2012 sets out amendments to a number of standards. 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 have had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- 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 reclassification, 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.

- 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 distribution to equity holders.

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 9	*Financial Instruments*[4]
HKFRS 9, HKFRS 7 and HKAS 39 Amendments	*Hedge Accounting and amendments to HKFRS 9, HKFRS 7 and HKAS 39*[4]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits – Defined Benefit Plans: Employee Contributions*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[1]
HKAS 39 Amendments	Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*[1]
HK(IFRIC)-Int 21	*Levies*[1]
Annual Improvements 2010 – 2012 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]
Annual Improvements 2011 – 2013 Cycle	Amendments to a number of HKFRSs issued in January 2014[2]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Effective for annual periods beginning on or after 1 January 2016
4 No mandatory effective date yet determined but is available for adoption

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

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

2.3 Issued But Not Yet Effective HKFRSs (continued)

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 as 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 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.

In December 2013, the HKICPA added to HKFRS 9 the requirements related to hedge accounting and made some related changes to HKAS 39 and HKFRS 7 which include the corresponding disclosures about risk management activity for applying hedge accounting. The amendments to HKFRS 9 relax the requirements for assessing hedge effectiveness which result in more risk management strategies being eligible for hedge accounting. The amendments also allow greater flexibility on the hedged items and relax the rules on using purchased options and non-derivative financial instruments as hedging instruments. In addition, the amendments to HKFRS 9 allow an entity to apply only the improved accounting for own credit risk-related fair value gains and losses arising on FVO liabilities as introduced in 2010 without applying the other HKFRS 9 requirements at the same time.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on impairment of financial assets continues to apply. The previous mandatory effective date of HKFRS 9 was removed by the HKICPA in December 2013 and a mandatory effective date will be determined after the entire replacement of HKAS 39 is completed. However, the standard is available for application now. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" 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.

2.4 Summary of Significant Accounting Policies

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Investments in associates and joint ventures

An associate is an 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. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures 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 line any dissimilar accounting policies that may exist.

2.4 Summary of Significant Accounting Policies (continued)

Investments in associates and joint ventures (continued)

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the profit or loss of the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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)

Fair value measurement

The Group measures its investment properties and certain debt instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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 of disposal, 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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss 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.

Changes in the values of revalued property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged.

On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

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%
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 statement of profit or loss 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 statement of profit or loss in the year in which they arise.

2.4 Summary of Significant Accounting Policies (continued)

Investment properties (continued)

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

If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above.

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.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets and its sale must be highly probable.

Non-current assets (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell.

2.4 Summary of Significant Accounting Policies (continued)

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 statement of profit or loss 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 statement of profit or loss 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 statement of profit or loss on the straight-line basis over the lease terms.

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

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, 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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

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 statement of profit or loss. 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 as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

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 as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

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 statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other expenses for receivables.

2.4 Summary of Significant Accounting Policies (continued)

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 primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

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

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. 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.

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have 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.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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).

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 statement of profit or loss. 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 statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, 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.

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 statement of profit or loss 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 statement of profit or loss.

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 statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Offsetting of financial instruments

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

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 in finance costs in the statement of profit or loss.

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.

2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

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

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

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

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.

2.4 Summary of Significant Accounting Policies (continued)

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 statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Borrowing costs

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

Dividends

Final dividends proposed by the directors are recognised as a liability only when they have been approved by the shareholders and declared.

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

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 statement of profit of loss.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

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 measured. 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.

The functional currencies of certain overseas subsidiaries, a joint venture 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 statements of profit of loss 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 statement of profit or loss.

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 joint venture 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 joint venture 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.

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.

3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

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.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

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.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

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	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**475,174**	536,828	**114,062**	124,299	**–**	–	**8,514**	8,188	**597,750**	669,315
Other income and gains	**2,026**	1,985	**13,276**	921	**73**	–	**–**	13	**15,375**	2,919
									613,125	672,234
Segment results	**56,092**	84,550	**216,347**	154,781	**(102,394)**	(21,526)	**(37,160)**	(36,432)	**132,885**	181,373
Reconciliation:										
Interest income									**6,139**	4,994
Share of profits and losses of associates	**215**	401	**–**	–	**–**	(18,252)	**–**	–	**215**	(17,851)
Profit before tax									**139,239**	168,516
Income tax expense	**(7,403)**	(21,550)	**(19,675)**	(18,524)	**–**	–	**(223)**	(136)	**(27,301)**	(40,210)
Profit for the year									**111,938**	128,306
Segment assets	**955,908**	1,025,959	**1,632,307**	1,471,455	**74,021**	167,794	**133,706**	121,440	**2,795,942**	2,786,648
Reconciliation:										
Investments in associates	**2,631**	3,783	**–**	–	**–**	–	**3**	3	**2,634**	3,786
Total assets									**2,798,576**	2,790,434
Segment liabilities	**149,098**	193,364	**363,241**	392,053	**20,918**	25,021	**17,177**	17,212	**550,434**	627,650
Total liabilities									**550,434**	627,650
Other segment information:										
Depreciation	**45,589**	46,794	**1,089**	1,452	**488**	241	**289**	485	**47,455**	48,972
Capital expenditure	**1,596**	3,617	**1,143**	598	**6**	–	**7**	77	**2,752**	4,292
Impairment of trade receivables	**248**	956	**–**	–	**–**	–	**–**	–	**248**	956
Impairment of prepayments, deposits and other receivables	**–**	2,710	**–**	–	**3,329**	–	**–**	–	**3,329**	2,710
Impairment of prepaid land lease payments	**–**	–	**–**	–	**13,498**	–	**–**	–	**13,498**	–
Impairment of properties for development	**–**	–	**–**	–	**61,887**	–	**–**	–	**61,887**	–
Impairment of property, plant and equipment	**15,916**	–	**–**	–	**–**	–	**–**	–	**15,916**	–
Fair value gains on investment properties, net	**–**	–	**127,305**	61,433	**–**	–	**–**	–	**127,305**	61,433
Loss on disposal of investment properties	**–**	–	**5,402**	–	**–**	–	**–**	–	**5,402**	–
Loss on acquisition of a subsidiary	**–**	–	**–**	–	**–**	14,120	**–**	–	**–**	14,120

4. Operating Segment Information (continued)

(b) Geographical information

(a) Revenue from external customers

	2013 **HK$'000**	2012 HK$'000
Vietnam	**568,369**	642,603
Hong Kong	**18,218**	17,325
Mainland China	**11,163**	9,387
	597,750	669,315

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

(b) Non-current assets

	2013 **HK$'000**	2012 HK$'000
Vietnam	**2,043,952**	1,713,079
Hong Kong	**145,236**	414,655
Mainland China	**45,594**	208,300
Mongolia	**1,858**	81,038
	2,236,640	2,417,072

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

Information about a major customer

Revenue of approximately HK$107,311,000 (2012: HK$144,520,000) 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:

	2013 **HK$'000**	2012 HK$'000
Revenue		
Sale of cement	**475,174**	536,828
Gross rental income	**114,062**	124,299
Sale of electronic products	**7,808**	6,665
Sale of traditional Chinese medicine products	**529**	775
Sale of plywood and other wood products	**177**	748
	597,750	669,315
Other income and gains		
Interest income	**6,139**	4,994
Gain on disposal of items of property, plant and equipment	**384**	–
Income from sale of scrap materials	**524**	359
Others	**14,467**	2,560
	21,514	7,913

6. Profit Before Tax

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

	Notes	2013 HK$'000	2012 HK$'000
Cost of inventories sold		**360,558**	403,140
Depreciation	14	**47,455**	48,972
Amortisation of prepaid land lease payments	16	**2,553**	2,523
Research and development costs*		**–**	570
Auditors' remuneration		**1,978**	1,987
Minimum operating lease payments in respect of land and buildings		**462**	352
Employee benefit expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**45,522**	46,372
Pension scheme contributions		**739**	555
		46,261	46,927
Foreign exchange differences, net*		**25,465**	144
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**16,450**	16,983
Impairment of trade receivables*	22	**248**	956
Impairment of prepayments, deposits and other receivables*		**3,329**	2,710
Impairment of prepaid land lease payments*#	16	**13,498**	–
Impairment of properties for development*#	20	**61,887**	–
Impairment of property, plant and equipment*	14	**15,916**	–
Write-off of inventories		**–**	2,830
Loss/(gain) on disposal of items of property, plant and equipment		**(384)**	1,531
Loss on disposal of investment properties*		**5,402**	–
Loss on acquisition of a subsidiary*	36	**–**	14,120

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

\# During the year ended 31 December 2013, the land use right of three parcels of land held by the Group in Mongolia has been cancelled by the relevant local government authority. 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$13,498,000 and HK$61,887,000, respectively, was made by the Group and charged to the consolidated statement of profit or loss for the year.

7. Finance Costs

An analysis of finance costs is as follows:

	Group	
	2013 **HK$'000**	2012 HK$'000
Interest on bank loans wholly repayable within five years	**6,386**	15,789
Interest on finance leases	**110**	128
Total interest expense on financial liabilities not at fair value through profit or loss	**6,496**	15,917

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	
	2013 **HK$'000**	2012 HK$'000
Fees	**838**	853
Other emoluments:		
Salaries, allowances and benefits in kind	**10,908**	9,400
Discretionary bonuses	**203**	430
Pension scheme contributions	**45**	42
	11,156	9,872
	11,994	10,725

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

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

	2013 HK$'000	2012 HK$'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 (2012: 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
2013					
Luk King Tin ("Mr. Luk")	100	3,250	–	–	3,350
Cheng Cheung	100	1,690	–	–	1,790
Luk Yan	100	2,093	203	15	2,411
Luk Fung	138	2,153	–	15	2,306
Fan Chiu Tat, Martin	100	1,722	–	15	1,837
	538	10,908	203	45	11,694
2012					
Luk King Tin	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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2012: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included five (2012: five) directors, details of whose remuneration are set out in note 8 above.

10. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (2012: 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.

	2013 **HK$'000**	2012 HK$'000
Group:		
Current charge for the year		
Hong Kong	**180**	147
Elsewhere	**31,205**	25,457
Land appreciation tax ("LAT")	**16,265**	–
Underprovision/(overprovision) in prior years		
Hong Kong	**42**	(12)
Elsewhere	**(304)**	146
Deferred (note 33)	**(20,087)**	14,472
Total tax charge for the year	**27,301**	40,210

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

10. Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

Group

	2013 **HK$'000**	2012 HK$'000
Profit before tax	**139,239**	168,516
Tax at the statutory tax rates	**19,678**	36,627
Lower tax rates for specific provinces or enacted by local authority	**(1,063)**	(1,915)
Adjustments in respect of current tax of previous periods	**(262)**	134
Profits and losses attributable to associates	**146**	3,282
Income not subject to tax	**(34,739)**	(17,311)
Expenses not deductible for tax	**22,195**	5,869
LAT	**16,265**	–
Tax effect of LAT	**(1,627)**	–
Tax losses utilised	**(3,141)**	(1,051)
Tax losses not recognised	**9,849**	14,575
	27,301	40,210

The share of tax credit for the year ended 31 December 2013 attributable to associates amounting to HK$34,000 (2012: tax charge of HK$57,000) is included in "Share of profits and losses of associates" in the consolidated statement of profit or loss.

11. Profit Attributable to Owners of The Parent

The consolidated profit attributable to owners of the parent for the year ended 31 December 2013 includes a loss of HK$32,932,000 (2012: loss of HK$30,421,000) which has been dealt with in the financial statements of the Company (note 35(d)).

12. Dividends

	2013 HK$'000	2012 HK$'000
Interim – HK3 cents (2012: HK2 cents) per ordinary share	**15,195**	10,185
Final proposed subsequent to the reporting period		
– HK7 cents (2012: HK3.5 cents) per ordinary share	**35,371**	17,823
	50,566	28,008

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 508,073,478 (2012: 510,562,046) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

14. Property, Plant and Equipment

Group

31 December 2013	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 2012 and at 1 January 2013:							
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
At 1 January 2013, net of accumulated depreciation	41,715	180	791,182	1,010	20,120	15,919	870,126
Additions	–	961	–	16	1,759	16	2,752
Disposals	–	–	(4)	(12)	(1,162)	–	(1,178)
Surplus on revaluation at date of transfer to investment properties	10,547	–	–	–	–	–	10,547
Transfers to investment properties (note 15)	(12,399)	–	–	–	–	–	(12,399)
Impairment	–	–	(11,282)	–	–	(4,634)	(15,916)
Depreciation provided during the year	(815)	(151)	(42,870)	(361)	(3,258)	–	(47,455)
Exchange realignment	–	(2)	(9,983)	(49)	(312)	(168)	(10,514)
At 31 December 2013, net of accumulated depreciation and impairment	39,048	988	727,043	604	17,147	11,133	795,963
At 31 December 2013:							
Cost	71,382	2,851	1,017,389	7,442	41,213	11,133	1,151,410
Accumulated depreciation and impairment	(32,334)	(1,863)	(290,346)	(6,838)	(24,066)	–	(355,447)
Net carrying amount	39,048	988	727,043	604	17,147	11,133	795,963

14. Property, Plant and Equipment (continued)

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 36)	–	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)

Company

	Furniture, fixtures and office equipment HK$'000
31 December 2013	
At 31 December 2012 and at 1 January 2013:	
Cost	**634**
Accumulated depreciation	**(488)**
Net carrying amount	**146**
At 1 January 2013, net of accumulated depreciation	**146**
Additions	**7**
Depreciation provided during the year	**(40)**
Disposals	**(1)**
At 31 December 2013, net of accumulated depreciation	**112**
At 31 December 2013:	
Cost	**634**
Accumulated depreciation	**(522)**
Net carrying amount	**112**
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

14. Property, Plant and Equipment (continued)

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

	Group	
	2013	2012
	HK$'000	HK$'000
Situated in Hong Kong:		
Long-term leases	**34,696**	35,156
Situated elsewhere:		
Short-term leases	**4,352**	6,559
	39,048	41,715

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.

At 31 December 2013, certain of the Group's leasehold land and buildings situated in Vietnam with an aggregate net carrying amount of HK$2,075,000 (2012: HK$2,333,000), plant and machinery with an aggregate net carrying amount of HK$540,549,000 (2012: HK$385,505,000), and motor vehicles and vessels with an aggregate net carrying amount of HK$4,307,000 (2012: HK$12,914,000) were pledged to secure general banking facilities granted to the Group (note 30).

During the year ended 31 December 2013, Management decided to cease the operation of the cement bag production line due to the decrease in usage of self-produced cement bags. As a result, a full impairment in respect of the machineries related to the production line amounted to HK$11,282,000 was made by the Group and charged to the consolidated statement of profit or loss for the year.

During the year ended 31 December 2013, in view of the continuous decline in demand for cement in Vietnam, Management does not expect to resume the development and construction plan for the fifth production line of the cement plant in Vietnam and thus a full impairment on the construction in progress of the fifth production line amounted to HK$4,634,000 was made by the Group and charged to the consolidated statement of profit or loss for the year.

15. Investment Properties

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**1,383,230**	1,315,859
Net gain from a fair value adjustment	**127,305**	61,433
Transfer from property, plant and equipment (note 14)	**12,399**	–
Disposals	**(59,941)**	–
Exchange realignment	**(7,245)**	5,938
Carrying amount at 31 December	**1,455,748**	1,383,230
Investment properties classified as held for sale and included in current assets (note)	**(95,041)**	–
Non-current portion	**1,360,707**	1,383,230

Note: As at 31 December 2013, the Group was committed to a plan to dispose of certain investment properties located in Mainland China and the disposal is considered to be highly probable in the forthcoming year. As a result, the relevant investment properties with an aggregate fair value of HK$95,041,000 was reclassified as investment properties classified as held for sale and included in current assets.

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

	Group	
	2013	2012
	HK$'000	HK$'000
Situated in Hong Kong:		
Long-term leases	**63,680**	36,786
Medium-term leases	**468,300**	295,480
	531,980	332,266
Situated elsewhere:		
Long-term leases	**95,041**	153,173
Medium-term leases	**783,134**	803,665
Short-term leases	**45,593**	94,126
	923,768	1,050,964
	1,455,748	1,383,230

15. Investment Properties (continued)

The investment properties situated in Hong Kong and Mainland China were revalued on 31 December 2013 based on valuations performed by Asset Appraisal Limited and the investment properties situated in Vietnam were revalued on 31 December 2013 based on valuations performed 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 37(a) to the financial statements.

At 31 December 2013, certain of the Group's investment properties situated in Hong Kong with a carrying amount of HK$410,000,000 (2012: HK$252,000,000) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are set out on page 110.

Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties as at 31 December 2013 using:

	Significant unobservable inputs (Level 3) HK$'000
Recurring fair value measurement for:	
Industrial properties – Hong Kong and Mainland China	539,639
Residential properties – Mainland China	132,975
Commercial properties – Vietnam	783,134
	1,455,748

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

The valuations of the Group's investment properties in Hong Kong were based on prices information of comparable properties of similar size, character and location and carefully weighed against all the respective advantages and disadvantages of each of the comparable properties in order to arrive the fair value.

The valuations of the Group's investment properties in Mainland China were based on the income capitalisation method by dividing the potential rental income of the property to be valued by the appropriate capitalisation rate and also consider direct comparison method which was based on prices information of comparable properties of similar size, character and location.

15. Investment Properties (continued)

Fair value hierarchy (continued)

The valuations of the Group's investment properties in Vietnam were based on the discounted cash flow method, which required periodic net cash flows to be forecasted over the life of the investment and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value and the capitalisation method which required the net operating income to be capitalised by a capitalisation rate to derive value.

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Total HK$'000
Carrying amount at 1 January 2013	1,383,230
Net gain from a fair value adjustment	127,305
Transfer from property, plant and equipment	12,399
Disposals	(59,941)
Exchange realignment	(7,245)
Carrying amount at 31 December 2013	1,455,748

Below is a summary of the valuation techniques used and the key inputs to the valuations of investments properties categorised within Level 3 of the fair value hierarchy:

	Valuation technique	Significant unobservable input(s)	Range (weighted average)
Hong Kong – Industrial properties	Direct comparison method	Price per square feet	HK$2,210 to HK$4,000
Mainland China – Industrial properties	Income capitalisation method	Discount rate Estimated rental value (per square meter and per month)	10% HK$22
Mainland China – Residential properties	Income capitalisation method and direct comparison method	Discount rate Price per square meter Estimated rental value (per square meter and per month)	3%-10% HK$16,650 to HK$42,200 HK$18 to HK$110
Vietnam – Commercial properties	Discounted cash flow method and capitalisation method	Discount rate Capitalisation rate Estimated rental value (per square meter and per month)	11%-13% 9.75% HK$180
Vietnam – Car parks	Discounted cash flow method	Discount rate Estimated rental value (per car park and per month)	11%-13% HK$775

15. Investment Properties (continued)

Fair value hierarchy (continued)

A significant increase/(decrease) in the estimated rental value per square meter or per car park or price per square meter or per square feet in isolation would result in a significant higher/(lower) in the fair value of the investment properties. A significant increase/(decrease) in the discount rate or the capitalisation rate in isolation would result in a significant lower/(higher) in the fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square meter or per car park is accompanied by a directionally similar change in the development profit and an opposite change in the discount rate or the capitalisation rate.

16. Prepaid Land Lease Payments

	Group	
	2013	2012
	HK$'000	HK$'000
Carrying amount at 1 January	**28,183**	15,844
Acquisition of a subsidiary (note 36)	**–**	14,892
Recognised during the year (note 6)	**(2,553)**	(2,523)
Impairment (note 6)	**(13,498)**	–
Exchange realignment	**(1,415)**	(30)
Carrying amount at 31 December	**10,717**	28,183
Current portion included in prepayments, deposits and other receivables	**(2,544)**	(5,479)
Non-current portion	**8,173**	22,704

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

At 31 December 2013, the Group's prepaid land lease payments with an aggregate net carrying amount of HK$6,256,000 (2012: HK$7,942,000) were pledged to secure general banking facilities granted to the Group (note 30).

17. Investments in Subsidiaries

	Company 2013 HK$'000	2012 HK$'000
Unlisted shares, at cost	**–**	–
Due from subsidiaries	**1,954,919**	2,263,512
Due to subsidiaries	**(1,261,481)**	(1,455,156)
	693,438	808,356
Provision for amounts due from subsidiaries*	**(206,309)**	(204,830)
	487,129	603,526

The amounts due from/to subsidiaries are unsecured, interest-free and are not repayable within one year.

* 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.

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 2013	2012	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

17. 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 2013	2012	Principal activities
Luks Vietnam Company Limited*	British Virgin Islands/ Hong Kong	US$3	100	100	Investment holding
Luks Timber Investments Limited*	Hong Kong	HK$2	100	100	Investment holding
Luks Timber (Vietnam) Limited*	Vietnam	VND15,715,698,000	100	100	Manufacture and sale of plywood
Luks Cement Company Limited*	British Virgin Islands/ Hong Kong	US$50,000	100	100	Investment holding
Luks Cement (Vietnam) Limited*	Vietnam	VND751,329,773,000	100	100	Manufacture and sale of cement
Luks Land Company Limited*	British Virgin Islands/ Hong Kong	US$100	100	100	Investment holding
Luks Land (Vietnam) Limited*	Vietnam	VND193,639,051,000	100	100	Property investment and management
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

17. 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		Principal activities
			2013	2012	
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**	80	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.

18. Investment in a Joint Venture

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	**21,654**	21,654
Due to a joint venture	**(21,654)**	(21,654)
	–	–

The amount due to a joint venture is unsecured, interest-free and has no fixed terms of repayment.

Particulars of the joint venture are as follows:

Name	Place of registration	Percentage of 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 financial information of the Group's joint venture that are not individually material:

	2013 HK$'000	2012 HK$'000
Aggregate carrying amount of the Group's investment in a joint venture	**21,654**	21,654

The Group had discontinued the recognition of its share of loss of its joint venture because the Group's share of loss of this joint venture exceeded the Group's investment in a joint venture. The amounts of the Group's unrecognised share of loss of this joint venture for the current year and cumulatively were approximately HK$229,000 (2012: HK$247,000) and HK$19,654,000 (2012: HK$19,425,000), respectively.

19. Investments in Associates

	Group 2013 HK$'000	2012 HK$'000
Share of net assets	**2,274**	2,173
Loans to associates	**38,975**	40,352
	41,249	42,525
Provision for impairment	**(38,615)**	(38,739)
	2,634	3,786

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 2013 HK$'000	2012 HK$'000
At 1 January	**38,739**	38,673
Exchange realignment	**(124)**	66
At 31 December	**38,615**	38,739

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

19. 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 2013	2012	Principal activity
Luks Truong Son Company Limited	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

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 nil (2012: HK$43,000) and HK$12,246,000 (2012: HK$12,246,000), respectively.

19. Investments in Associates (continued)

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2013 HK$'000	2012 HK$'000
Share of the associates' profit/(loss) for the year	**215**	(17,851)
Share of the associates' other comprehensive loss	**(114)**	(303)
Share of the associates' total comprehensive income/(loss)	**101**	(18,154)
Aggregate carrying amount of the Group's investments in the associates	**2,274**	2,173

20. Properties for Development

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

	Group	
	2013 **HK$'000**	2012 HK$'000
Situated in Vietnam		
Medium-term leases	**34,255**	36,875
Situated in Mongolia		
Short-term leases	**61,887**	64,267
	96,142	101,142
Impairment (note 6)	**(61,887)**	–
	34,255	101,142

21. Inventories

	Group	
	2013	2012
	HK$'000	HK$'000
Raw materials	**17,632**	19,974
Consumables	**43,774**	45,747
Work in progress	**7,068**	10,150
Finished goods	**15,519**	21,434
	83,993	97,305

22. Trade Receivables

	Group	
	2013	2012
	HK$'000	HK$'000
Trade receivables	**41,276**	45,835
Impairment	**(3,055)**	(2,840)
	38,221	42,995

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.

22. 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 provision, is as follows:

	Group	
	2013	2012
	HK$'000	HK$'000
0 to 30 days	**28,877**	19,494
31 to 60 days	**2,637**	5,931
61 to 90 days	**1,686**	4,352
91 to 120 days	**1,293**	4,638
Over 120 days	**3,728**	8,580
	38,221	42,995

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

	Group	
	2013	2012
	HK$'000	HK$'000
At 1 January	**2,840**	1,872
Impairment losses recognised (note 6)	**248**	956
Exchange realignment	**(33)**	12
	3,055	2,840

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

22. Trade Receivables (continued)

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

	Group	
	2013 **HK$'000**	2012 HK$'000
Neither past due nor impaired	**27,395**	29,666
Less than 3 months past due	**6,522**	7,604
Over 3 months past due	**4,304**	5,725
	38,221	42,995

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.

23. Prepayments, Deposits and Other Receivables

	Group	
	2013 **HK$'000**	2012 HK$'000
Prepayments	**6,204**	10,638
Deposits	**139,306**	137,322
Other receivables	**6,550**	3,851
	152,060	151,811
Impairment of prepayments, deposits and other receivables	**(102,412)**	(99,083)
	49,648	52,728
Non-current portion (note)	**(34,908)**	(36,084)
Current portion	**14,740**	16,644

Note: The balance included advances made for the acquisition of land in Vietnam amounting to HK$34,908,000 (2012: HK$36,084,000) as at 31 December 2013.

24. Debt Investments at Fair Value Through Profit or Loss

	Group and Company	
	2013	2012
	HK$'000	HK$'000
Listed debt investments – overseas	**1,094**	1,094

The above debt investments as at 31 December 2013 and 2012 were classified as held for trading.

25. Cash and Cash Equivalents

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**82,517**	106,036	**8,954**	10,281
Time deposits	**246,330**	109,288	**102,120**	58,836
Cash and cash equivalents	**328,847**	215,324	**111,074**	69,117

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$2,675,000 (2012: HK$1,686,000) and HK$40,217,000 (2012: HK$25,358,000), 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.

26. Trade Payables

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

	Group	
	2013	2012
	HK$'000	HK$'000
0 to 30 days	**14,005**	11,364
31 to 60 days	**1,057**	1,472
61 to 90 days	**1,556**	706
91 to 120 days	**–**	56
Over 120 days	**9,492**	12,629
	26,110	26,227

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

27. Other Payables and Accruals

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Receipts in advance	**33,852**	7,686	**–**	–
Deposits received	**17,276**	22,974	**–**	–
Accruals	**13,895**	14,044	**5,174**	4,815
Advances from non-controlling shareholders of certain subsidiaries	**20,561**	24,424	**–**	–
Other payables	**25,091**	35,134	**102**	92
	110,675	104,262	**5,276**	4,907

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

28. Due To Directors

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment.

29. Due to a Related Company

The amount due to a company controlled by Mr. Luk is unsecured, interest-free and is repayable on demand.

30. Interest-Bearing Bank and Other Borrowings

	Group					
	2013			2012		
	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payables (note 31)	–	–	–	–	2013	655
Bank loans secured	6.0	2014	20,465	11.0	2013	30,999
Current portion of long term bank loans – secured	1.71 – 5.89	2014	58,743	1.9 – 6.64	2013	63,363
Long term bank loans with an on demand clause – secured*	1.71 – 2.72	on demand	52,065	1.9	on demand	84,065
			131,273			179,082
Non-current						
Finance lease payables (note 31)	–	–	–	–	2015	258
Bank loans – secured	–	–	–	6.64	2014	37,233
			–			37,491
			131,273			216,573

30. Interest-Bearing Bank and Other Borrowings (continued)

	Group 2013 HK$'000	Group 2012 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand*	**131,273**	178,427
In the second year	**–**	37,233
	131,273	215,660
Other borrowings repayable:		
Within one year	**–**	655
In the second year	**–**	148
In the third to fifth years, inclusive	**–**	110
	–	913
	131,273	216,573

* The Group's term loan in the amount of HK$52,065,000 (2012: HK$84,065,000) with an on demand clause has been reclassified as a current liability, and analysed into bank loans repayable within one year or on demand. Based on the maturity terms of the above term loan, the amounts repayable in respect of the loan are: HK$27,456,000 (2012: HK$32,000,000) payable in the second year and HK$24,609,000 (2012: HK$52,065,000) 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$2,075,000 (2012: HK$2,333,000);

(ii) certain of the Group's prepaid land lease payments situated in Vietnam with an aggregate net carrying amount of HK$6,256,000 (2012: HK$7,942,000);

(iii) certain of the Group's investment properties situated in Hong Kong with an aggregate carrying amount of HK$410,000,000 (2012: HK$252,000,000);

(iv) certain of the Group's plant and machinery with an aggregate net carrying amount of HK$540,549,000 (2012: HK$385,505,000); and

(v) certain of the Group's motor vehicles and vessels with an aggregate net carrying amount of HK$4,307,000 (2012: HK$12,914,000).

(b) The secured bank loans are denominated in Hong Kong dollars, Vietnamese dong and United States dollars with aggregate amounts of HK$84,065,000 (2012: HK$116,065,000), HK$20,465,000 (2012: HK$30,999,000) and HK$26,743,000 (2012: HK$68,596,000), respectively.

30. Interest-Bearing Bank and Other Borrowings (continued)

Notes: (continued)

(c) Other interest rate information:

	Group	
	2013 HK$'000	2012 HK$'000
Fixed rate:		
Finance lease payables	**–**	913
Bank loans – secured	**20,465**	30,999
	20,465	31,912
Floating rate:		
Bank loans – secured	**110,808**	184,661
	131,273	216,573

31. Finance Lease Payables

At 31 December 2012, the Group leased certain of its motor vehicles. These leases were classified as finance leases and had remaining lease terms from one to three years.

At 31 December 2013, 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	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Amounts payable:				
Within one year	**–**	783	**–**	655
In the second year	**–**	162	**–**	148
In the third to fifth years, inclusive	**–**	122	**–**	110
Total minimum finance lease payments	**–**	1,067	**–**	913
Future finance charges	**–**	(154)		
Total net finance lease payables	**–**	913		
Portion classified as current liabilities (note 30)	**–**	(655)		
Non-current portion (note 30)	**–**	258		

32. Provisions

Group

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2013	3,935	1,129	5,064
Additional provision	200	–	200
Amount utilised during the year	(31)	–	(31)
Exchange realignment	–	(13)	(13)
At 31 December 2013	4,104	1,116	5,220

Company

	Long service payments HK$'000
At 1 January 2013	3,652
Additional provision	193
At 31 December 2013	3,845

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

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

33. Deferred Tax

The movements in deferred tax liabilities 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 2012	24,615	201,507	226,122
Charged/(credited) to the statement of profit or loss during the year (note 10)	15,508	(6,120)	9,388
Exchange realignment	171	1,223	1,394
At 31 December 2012 and 1 January 2013	40,294	196,610	236,904
Charged/(credited) to the statement of profit or loss during the year (note 10)	5,166	(25,233)	(20,067)
Exchange realignment	(486)	(1,700)	(2,186)
At 31 December 2013	44,974	169,677	214,651

33. Deferred Tax (continued)

Deferred tax assets

Group

	Provision and accruals HK$'000
At 1 January 2012	9,525
Charged to the statement of profit or loss during the year (note 10)	(5,084)
Exchange realignment	55
At 31 December 2012 and 1 January 2013	4,496
Credited to the statement of profit or loss during the year (note 10)	20
Exchange realignment	(52)
At 31 December 2013	4,464

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:

	2013 HK$'000	2012 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**210,187**	232,408

The Group has tax losses arising in Hong Kong, Vietnam and Mongolia of HK$610,377,000 (2012: HK$604,710,000), HK$36,766,000 (2012: HK$35,059,000) and HK$25,577,000 (2012: HK$20,275,000), 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.

33. 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, joint venture and associates established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2013, 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 amounted to nil at 31 December 2013 (2012: HK$11,531,000).

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

34. Share Capital

	2013 HK$'000	2012 HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
505,297,418 (2012: 509,237,418) ordinary shares of HK$0.01 each	**5,053**	5,092

34. 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 2012		511,931,418	5,119
Repurchase of shares	(i)	(2,694,000)	(27)
At 31 December 2012 and 1 January 2013		509,237,418	5,092
Repurchase of shares	(i)	(3,940,000)	(39)
At 31 December 2013		505,297,418	5,053

(i) The Company repurchased a total of 3,940,000 (2012: 2,694,000) shares at an average price of HK$1.95 per share (2012: HK$1.60 per share) in the open market on the Stock Exchange, all of which were subsequently cancelled by the Company.

35. 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 29 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 as a result of the share repurchase.

35. Reserves (continued)

(d) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 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 and 1 January 2013		746,051	293,825	664	(380,366)	660,174
Repurchase of shares		(7,555)	–	39	(39)	(7,555)
Loss for the year		–	–	–	(34,411)	(34,411)
Final 2012 dividend		–	(17,823)	–	–	(17,823)
Interim 2013 dividend	12	–	(15,195)	–	–	(15,195)
At 31 December 2013		738,496	260,807	703	(414,816)	585,190

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.

36. 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 statement of profit or loss	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 prior year.

37. 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 2013, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2013 **HK$'000**	2012 HK$'000
Within one year	**78,740**	79,808
In the second to fifth years, inclusive	**78,940**	37,077
	157,680	116,885

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

	2013 **HK$'000**	2012 HK$'000
Within one year	**569**	740
In the second to fifth years, inclusive	**2,274**	3,687
After five years	**14,028**	21,154
	16,871	25,581

38. Commitments

In addition to the operating lease arrangements detailed in note 37(b) above, the Group had the following capital commitments at the end of the reporting period:

	2013 HK$'000	2012 HK$'000
Contracted, but not provided for:		
Land	**202,201**	204,569
Property, plant and equipment	**5,039**	8,565
Properties for development	**–**	13,058
	207,240	226,192
Authorised, but not contracted for:		
Properties for development	**37,454**	37,893
Contracted, but not provided for:		
Capital contribution payable to associates	**–**	870
	244,694	264,955

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

39. 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:

	2013 HK$'000	2012 HK$'000
Associates:		
Purchases of raw materials	**18,931**	23,680
Interest income	**–**	34

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

39. Related Party Transactions (continued)

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

	2013 HK$'000	2012 HK$'000
Short term employee benefits	**12,793**	11,461
Post-employment benefits	**45**	42
Total compensation paid to key management personnel	**12,838**	11,503

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

40. Contingent Liabilities

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

	Company	
	2013 HK$'000	2012 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**404,860**	404,750

The Company has executed guarantees totalling HK$404,860,000 (2012: HK$404,750,000) with respect to banking facilities made available to its subsidiaries, of which HK$110,808,000 (2012: HK$184,661,000) were utilised as at 31 December 2013.

41. Financial Instruments 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 2013 and 2012 were loans and receivable and financial liabilities stated at amortised cost respectively.

42. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts of the Group's and the Company's financial instruments, other than debt instruments at fair value through profit or loss, are reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayment, deposits and other receivables, financial liabilities included in other payables and accruals, amount due to directors and amount due to related parties approximate to their carrying amounts largely due to the short term maturities of these instrument.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of deposits and interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2013 was assessed to be insignificant.

Fair value of debt instruments at fair value through profit or loss are derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

42. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

Group

As at 31 December 2013

	Fair value measurement using quoted prices in active markets Level 1 HK$'000
Debt instruments at fair value through profit or loss	**1,094**

As at 31 December 2012

	Fair value measurement using quoted prices in active markets Level 1 HK$'000
Debt instruments at fair value through profit or loss	1,094

43. Financial Risk Management Objectives and Policies

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

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

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.

43. Financial Risk Management Objectives and Policies (continued)

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
2013		
Hong Kong dollar	**100**	**(841)**
United States dollar	**100**	**(267)**
Hong Kong dollar	**(100)**	**841**
United States dollar	**(100)**	**267**
2012		
Hong Kong dollar	100	(1,161)
United States dollar	100	(2,248)
Hong Kong dollar	(100)	1,161
United States dollar	(100)	2,248

43. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

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

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

	Increase/ (decrease) in Vietnamese dong rate %	Increase/ (decrease) in profit before tax HK$'000
2013		
If United States dollar weakens against Vietnamese dong	**1**	**1,889**
If United States dollar strengthens against Vietnamese dong	**(1)**	**(1,889)**
2012		
If United States dollar weakens against Vietnamese dong	1	2,278
If United States dollar strengthens against Vietnamese dong	(1)	(2,278)

Credit risk

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

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

43. Financial Risk Management Objectives and Policies (continued)

Liquidity risk

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

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

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

(a) Group

			2013		
	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	**26,110**	**–**	**–**	**–**	**26,110**
Financial liabilities included in other payables and accruals	**76,823**	**–**	**–**	**–**	**76,823**
Due to directors	**45**	**–**	**–**	**–**	**45**
Due to a joint venture	**21,654**	**–**	**–**	**–**	**21,654**
Due to a related company	**4,588**	**–**	**–**	**–**	**4,588**
Interest-bearing bank and other borrowings	**135,686**	**–**	**–**	**–**	**135,686**
Rental deposits	**–**	**6,741**	**13,456**	**–**	**20,197**
	264,906	**6,741**	**13,456**	**–**	**285,103**

			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 joint venture	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

43. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

(b) *Company*

	2013				
	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	–	–	–	1,261,481	1,261,481
Financial liabilities included in other payables and accruals	5,276	–	–	–	5,276
Due to directors	45	–	–	–	45
Guarantees given to banks in connection with facilities granted to subsidiaries	180,000	–	–	–	180,000
	185,321	–	–	1,261,481	1,446,802

	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

43. 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 2013 and 2012.

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

	2013 **HK$'000**	2012 HK$'000
Interest-bearing bank and other borrowings (note 30)	**131,273**	216,573
Less: Cash and cash equivalents (note 25)	**(328,847)**	(215,324)
Net debt	**(197,574)**	1,249
Total equity	**2,248,142**	2,162,784
Gearing ratio	**N/A**	0.1%

44. Approval of The Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2014.

Particulars of Investment Properties

31 December 2013

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 B, 4/F., Flat A2, 6/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, 404, 503, 505, 606, 704-706 and 803-806, Block 3, Mandarin City, Gubei, Shanghai, the PRC	Residential building for rental	Long-term leases	100%

Particulars of Property for Development

31 December 2013

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				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
PROFIT FOR THE YEAR	**111,938**	128,306	62,152	44,057	104,751
Attributable to:					
Owners of the parent	**132,718**	129,361	63,997	45,377	107,055
Non-controlling interests	**(20,780)**	(1,055)	(1,845)	(1,320)	(2,304)
	111,938	128,306	62,152	44,057	104,751

Assets, Liabilities and Non-controlling Interests

	As at 31 December				
	2013	2012	2011	2010	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,798,576**	2,790,434	2,757,202	2,986,708	3,201,064
TOTAL LIABILITIES	**(550,434)**	(627,650)	(687,535)	(860,830)	(1,000,348)
NON-CONTROLLING INTERESTS	**32,893**	15,414	3,968	4,137	2,400
	2,281,035	2,178,198	2,073,635	2,130,015	2,203,116