



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

Stock Code : 0366

陸氏

Interim Report
2016

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Management Discussion and Analysis

Business Review and Outlook

For the first half of 2016, Vietnam's economy recorded a merely 5.52% growth of GDP according to the General Statistics Office of Vietnam, comparing to 6.28% growth recorded for the same period last year. The figure underperformed the original expectation of the Vietnam's government as well as the World Bank towards the growth rate of 2016. As such, the World Bank has tuned downward the full year estimate of the Vietnam's GDP growth rate from 6.5% to 6.2%.

Apart from the global economic slowdown and instability during the period, the main attributable reasons for the far-from-target growth rate were due to a negative growth rate in the agricultural sector and a drop in both price and quantity export of crude oil of Vietnam during the period. The historic drought and salinity of the Mekong Delta happened in Vietnam during the period posted severe hazards to the agricultural and fisheries industry of Vietnam.

However, apart from the abovementioned, the overall Vietnam's economy was still strong and optimistic. Services sectors recorded the highest growth rate since 2012, particularly in the retail sector and information and communication sector, each recording a robust growth rate of over 8% during the period. The real estate sector also showed a strong growth not being seen in the past 5 years.

During the period, inflation remained under control with the Consumer Price Index showing a moderate year-on-year increase of 1.7%. On the other hand, the Vietnam's currency was relatively stable despite the volatile Chinese Yuan in the period.

For the six months ended 30 June 2016, the Group's turnover amounted to HK\$316,268,000, representing an increase of about 2.8% as compared to HK\$307,732,000 for the corresponding period of last year. The Group's turnover mainly came from the cement business and the property investment business. The cement business recorded a turnover of HK\$257,020,000, representing an increase of 4.1% as compared to that of last year. While the property investment business recorded a turnover of HK\$54,801,000, representing a decrease of approximately 1% as compared to that of last year.

The Group recorded an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent of HK\$42,992,000 for the first half of 2016, representing an increase of 13.5% as compared to HK\$37,862,000 of the same period last year. The basic earnings per share for the first six months of 2016 were HK8.5 cents per share (corresponding period for the first six months of 2015: HK7.5 cents).

Cement Business

The cement market in Vietnam showed steady growth in the first half of 2016. The overall demand for cement of Vietnam recorded an increase of 12.4% comparing to the same period last year. A booming real estate market in the country attributed most to the increase. During the period, the real estate sector recorded the five-year highest GDP growth rate of 3.77%. On the other hand, construction activities and infrastructure projects were also on a rising track. During the period, Vietnam's cement export also recorded an unexpected increase of 5%, despite the global economic slowdown and increased competition from suppliers of the mainland China.

In the first half of 2016, cement and clinker sales of the Group's cement plant recorded a total of 690,000 tons, a year-on-year increase of approximately 15%, whereas the sales revenue increased 4.1% from a year ago. The profit after tax was HK\$26,280,000, representing a decrease of approximately 0.9% comparing to the same period of last year.

Facing with increased local competition, strategy of the Group's cement plant was to extend its market share in the central part of Vietnam. An increase in sales volume, followed by a lowering selling price was notable as a result during the period.

On the production aspect, thanks to the stabilizing inflation rate, most of the production costs remained stable during the period. With an increase in production volume, the production cost per ton of cement recorded a minor decrease. Yet, an increase in transportation expenses generally eroded most of the increase in gross profit during the period.

Foreseeing the second half, momentum of the real estate market was seemingly slowing down from its boom at the beginning of the year. Yet, with the implementation of more infrastructure projects in central Vietnam, demand for cement is expected to grow steadily. The cement production and sales of the Group's cement plant is therefore expected to remain stable during the second half of 2016.

Vietnam Property Investment and Development

For the first six months of 2016, foreign investors showed keen interest in investing in Vietnam, as reflected from a surge in registered Foreign Direct Investments ("FDI") during the period. The newly registered FDI was US\$11.2 billion, representing an increase of 105% to the same period last year. The disbursed FDI during the period was US\$7.25 billion, an increase of 15% on a year-on-year comparison. However, most of the foreign investments were concentrated on manufacturing and processing industry, followed by the real estate sector, whereas investments in financial and services sector were insignificant. As a result, the Group's Saigon Trade Centre was not much benefited, since most of its potential tenants were mainly coming from the financial and services sector.

For the first half of 2016, the Saigon Trade Center recorded an occupancy rate of 71%, representing a down slip of 2% from that of 73% in the year-end of 2015. Yet, the decline was well covered by a slight increase in the rental rate. As a result, the profit recorded from the Saigon Trade Center attributed to the Group was about the same as that of the corresponding period last year.

Foreseeing the full year of 2016, the supply of office spaces in Ho Chi Minh City is still limited during the year, whereas on the other hand demand also grows only in a moderate pace. The rental performances of the office market in Ho Chi Minh City, as well as the Group's Saigon Trade Center are both expected to remain stable throughout the year.

Management Discussion and Analysis

Hong Kong Hotel Project and Other Investment Properties

During the period, the construction of the Group's hotel revitalizing project in Tuen Mun, Hong Kong has been in an intensive stage. Most of the structural and internal fitting out works are expected to be completed by the end of third quarter this year. The Group will procure to apply for the hotel license after the completion of construction. If everything goes smooth, the hotel is expected to commence business by April 2017.

As the Group has been utilizing its internal cashflow and cash reserve on the construction of the hotel, the cash level of the Group was seen dropping during the period.

The peak for cash outflow for the hotel project is to be seen in the second half of this year. In order to reduce the required amount from bank borrowings, the Directors resolved to reduce the amount of dividend paid-out for this year so as to retain cash for the expenditure of the hotel project. Although hotel business and retail market in Hong Kong have been slowing down since the year-end of 2015, the management is confident that when the hotel, together with its shopping mall formally commence operation in the next year, it will constitute a long term and stable source of cashflow and income for the Group.

Dividend

The Board of Directors resolved to pay an interim dividend of HK4 cents to shareholders.

Financial Review

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2016 amounted to HK\$249,557,000 (31 December 2015: HK\$294,377,000). The Group's total borrowings amounted to HK\$41,317,000 (31 December 2015: HK\$26,275,000), of which HK\$40,166,000 (31 December 2015: HK\$24,948,000) was repayable within 1 year. The percentage of the Group's borrowings denominated in HKD and VND were 37.7% and 62.3% respectively. Of the total borrowings, about 66.0% 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 30 June 2016 (31 December 2015: 0%).

Employees and Remuneration Policy

As at 30 June 2016, the Group had approximately 1,050 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$28,311,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2015.

Details of charges

As at 30 June 2016, the Group has pledged certain plant and machinery at a net carrying value of HK\$95,076,000 and certain construction in progress situated in Hong Kong at a net carrying value of HK\$575,390,000 to secure banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The relatively high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. All borrowings of the Group's cement plant from the parent company and other intra-group companies are denominated in USD, resulting in the Group's cement plant exposure to foreign exchange risk of VND depreciation. In order to reduce the foreign exchange risk, the Group's cement plant incurred local borrowings from a local bank. The exchange rate of VND to HKD recorded an appreciation of 1% as at 30 June 2016 when compared to the rate as at 31 December 2015. The Group recorded an exchange gain of HK\$1,163,000 during the period. The Group's measures to minimize its exposure to the risk have not been changed from those disclosed on its annual report for the year ended 31 December 2015.

Details of contingent liabilities

As at 30 June 2016, the Group had no significant contingent liabilities (31 December 2015: Nil).

Interim Financial Statements

Interim Results

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2016, together with the comparative figures for the corresponding period in 2015. These interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June	
		2016 (Unaudited) HK\$’000	2015 (Unaudited) HK\$’000
REVENUE	4	316,268	307,732
Cost of sales		(207,775)	(196,627)
Gross profit		108,493	111,105
Other income and gains	4	4,753	5,298
Selling and distribution expenses		(23,996)	(21,190)
Administrative expenses		(31,138)	(35,016)
Other expenses		–	(5,546)
Finance costs	5	(438)	(914)
PROFIT BEFORE TAX	6	57,674	53,737
Income tax expense	7	(14,322)	(16,419)
PROFIT FOR THE PERIOD		43,352	37,318
ATTRIBUTABLE TO:			
Owners of the parent		42,992	37,862
Non-controlling interests		360	(544)
		43,352	37,318
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK8.5 cents	HK7.5 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	43,352	37,318
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	13,227	(30,734)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	13,227	(30,734)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	56,579	6,584
Attributable to:		
Owners of the parent	57,123	7,892
Non-controlling interests	(544)	(1,308)
	56,579	6,584

Interim Financial Statements

Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	1,227,853	1,168,608
Investment properties		960,251	953,847
Prepaid land lease payments		2,498	2,894
Investment in a joint venture		–	–
Properties for development		33,231	32,409
Deposits		33,955	33,819
Total non-current assets		2,257,788	2,191,577
CURRENT ASSETS			
Inventories		69,959	71,138
Trade receivables	11	50,811	33,267
Prepayments, deposits and other receivables		12,015	15,162
Cash and cash equivalents		249,557	294,377
Total current assets		382,342	413,944
CURRENT LIABILITIES			
Trade payables	12	16,240	8,982
Other payables and accruals		93,477	109,726
Due to directors		515	46
Due to a related company		4,381	4,381
Interest-bearing bank and other borrowings		40,166	24,948
Tax payable		33,844	33,603
Total current liabilities		188,623	181,686
NET CURRENT ASSETS		193,719	232,258
TOTAL ASSETS LESS CURRENT LIABILITIES		2,451,507	2,423,835

Consolidated Statement of Financial Position (continued)

30 June 2016

	Note	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		2,451,507	2,423,835
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		1,151	1,327
Rental deposits		17,687	17,519
Provisions		4,557	4,661
Deferred tax liabilities		205,375	203,852
Total non-current liabilities		228,770	227,359
Net assets		2,222,737	2,196,476
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	5,053	5,053
Reserves		2,249,893	2,223,088
Non-controlling interests		2,254,946 (32,209)	2,228,141 (31,665)
Total equity		2,222,737	2,196,476

Interim Financial Statements

Consolidated Statement of Changes In Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent									
	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Property revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2016	5,053	738,496	255,857	20,483	703	(461,706)	1,669,255	2,228,141	(31,665)	2,196,476
Profit for the period	-	-	-	-	-	-	42,992	42,992	360	43,352
Other comprehensive income/(loss) for the period	-	-	-	-	-	14,131	-	14,131	(904)	13,227
Total comprehensive income/(loss) for the period	-	-	-	-	-	14,131	42,992	57,123	(544)	56,579
Final 2015 dividend approved	-	-	(30,318)	-	-	-	-	(30,318)	-	(30,318)
At 30 June 2016	5,053	738,496*	225,539*	20,483*	703*	(447,575)*	1,712,247*	2,254,946	(32,209)	2,222,737

	Attributable to owners of the parent									
	Issued capital	Share premium account	Contributed surplus	Capital redemption reserve	Property revaluation reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	5,053	738,496	346,810	703	20,483	(394,241)	1,579,675	2,296,979	(30,575)	2,266,404
Profit/(loss) for the period	-	-	-	-	-	-	37,862	37,862	(544)	37,318
Other comprehensive loss for the period	-	-	-	-	-	(29,970)	-	(29,970)	(764)	(30,734)
Total comprehensive income/(loss) for the period	-	-	-	-	-	(29,970)	37,862	7,892	(1,308)	6,584
Final 2014 dividend approved	-	-	(60,635)	-	-	-	-	(60,635)	-	(60,635)
At 30 June 2015	5,053	738,496	286,175	703	20,483	(424,211)	1,617,537	2,244,236	(31,883)	2,212,353

* These reserve accounts comprise the consolidated reserves of HK\$2,249,893,000 (31 December 2015: HK\$2,223,088,000) in the consolidated statement of financial position as at 30 June 2016.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Note	Six months ended 30 June	
		2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		54,132	48,296
Interest paid		(438)	(696)
Taxes paid		(12,893)	(14,948)
Net cash flows from operating activities		40,801	32,652
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		847	4,767
Decrease in time deposits with original maturity of over three months when acquired		59,003	–
Purchases of items of property, plant and equipment	10	(73,912)	(33,064)
Proceed from disposal of investment properties		–	10,307
Proceed from disposal of items of property, plant and equipment		1,652	142
Net cash flows used in investing activities		(12,410)	(17,848)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		25,930	54,551
Repayment of bank loans		(10,888)	(52,806)
Increase in amounts due to directors		469	–
Dividends paid		(30,318)	(60,635)
Net cash flows used in financing activities		(14,807)	(58,890)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		199,989	380,028
Effect of foreign exchange rate changes, net		599	(3,829)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		214,172	332,113
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		93,472	80,212
Non-pledged time deposits with original maturity of less than three months when acquired		120,700	251,901
Non-pledged time deposits with original maturity of over three months when acquired		35,385	–
Cash and cash equivalents as stated in the statement of financial position		249,557	332,113
Less: Non-pledged time deposits with original maturity of over three months when acquired		(35,385)	–
Cash and cash equivalents as stated in the statement of cash flows		214,172	332,113

Notes to Condensed Consolidated Financial Statements

1. Basis of Preparation

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Group are described in note 3 to the unaudited interim condensed consolidated financial statements.

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

These unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2015.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group’s annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the new and revised HKFRSs as disclosed in note 2 below.

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

2. Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i>
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i>
HKFRS 14	<i>Regulatory Deferral Accounts</i>
Amendments to HKAS 1	<i>Disclosure Initiative</i>
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>
Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i>
Amendments to HKAS 27 (2011)	<i>Equity Method in Separate Financial Statements</i>
<i>Annual Improvements 2012-2014 Cycle</i>	Amendments to a number of HKFRSs

2. Changes in Accounting Policies and Disclosures (continued)

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

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

3. Operating Segment Information

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2016 and 2015.

	Cement products		Property investment		Property development		Corporate and others		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:										
Sales to external customers	257,020	246,951	54,801	55,379	-	-	4,447	5,402	316,268	307,732
Other income and gains	2,618	521	555	10	148	-	585	-	3,906	531
	259,638	247,472	55,356	55,389	148	-	5,032	5,402	320,174	308,263
Segment results	31,825	32,555	39,500	37,473	(437)	(916)	(14,061)	(20,142)	56,827	48,970
Reconciliation:										
Interest income									847	4,767
Profit before tax									57,674	53,737
Income tax expense	(5,925)	(6,225)	(8,397)	(10,194)	-	-	-	-	(14,322)	(16,419)
Profit for the period									43,352	37,318

Notes to Condensed Consolidated Financial Statements

4. Revenue, Other Income and Gains

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

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Revenue		
Sale of cement	257,020	246,951
Gross rental income	54,801	55,379
Sale of electronic products	4,447	5,402
	316,268	307,732
Other income and gains		
Interest income	847	4,767
Foreign exchange gains, net	1,163	–
Gain on disposal of items of property, plant and equipment, net	1,650	104
Gain on disposal of scrap materials	381	78
Others	712	349
	4,753	5,298

5. Finance Costs

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interest expense on bank loans	399	914
Interest on a finance lease	39	–
	438	914

6. Profit Before Tax

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

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Cost of inventories sold	200,160	187,799
Depreciation	24,967	25,894
Amortisation of land lease payments	1,039	1,245
Loss on disposal of investment properties	–	698
Gain on disposal of items of property, plant and equipment, net	(1,650)	(104)
Loss on deregistration of an associate	–	115

7. Income Tax

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Current charge for the period		
Elsewhere	13,158	14,152
Underprovision in prior years		
Elsewhere	–	204
Deferred	1,164	2,063
Total tax charge for the period	14,322	16,419

Notes to Condensed Consolidated Financial Statements

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 505,297,418 (six months ended 30 June 2015: 505,297,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2016 and 2015 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Dividend

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Interim – HK4 cents (six months ended 30 June 2015: HK6 cents) per ordinary share	20,212	30,318

10. Additions to Property, Plant and Equipment

During the six months ended 30 June 2016, the Group incurred approximately HK\$73,912,000 (six months ended 30 June 2015: HK\$33,064,000) on the acquisition of items of property, plant and equipment.

11. Trade Receivables

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

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

11. Trade Receivables (continued)

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 to 30 days	43,549	26,587
31 to 60 days	2,385	2,563
61 to 90 days	784	949
91 to 120 days	682	277
Over 120 days	3,411	2,891
	50,811	33,267

12. Trade Payables

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

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
0 to 30 days	15,256	8,269
31 to 60 days	312	473
61 to 90 days	45	2
91 to 120 days	–	1
Over 120 days	627	237
	16,240	8,982

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

Notes to Condensed Consolidated Financial Statements

13. Share Capital

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Authorised:		
760,000,000 ordinary shares of HK\$0.01 each	7,600	7,600
Issued and fully paid:		
505,297,418 ordinary shares of HK\$0.01 each	5,053	5,053

14. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to four 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 the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	83,926	80,699
In the second to fifth years, inclusive	37,935	53,052
	121,861	133,751

14. Operating Lease Arrangements (continued)

(b) As lessee

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

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Within one year	964	636
In the second to fifth years, inclusive	3,854	2,545
After five years	18,165	14,528
	22,983	17,709

15. Commitments

In addition to the operating lease arrangements detailed in note 14(b) above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2016 (Unaudited) HK\$'000	31 December 2015 (Audited) HK\$'000
Contracted, but not provided for:		
Land	191,573	189,756
Property, plant and equipment	237,279	152,661
	428,852	342,417

Notes to Condensed Consolidated Financial Statements

16. Related Party Transactions

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2016 (Unaudited) HK\$'000	2015 (Unaudited) HK\$'000
Short-term employee benefits	5,432	5,642
Post-employment benefits	36	27
Total compensation paid to key management personnel	5,468	5,669

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

17. Contingent Liabilities

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

18. Approval of the Unaudited Interim Condensed Consolidated Financial Statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2016.

Interim Dividend

The Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2015: HK6 cents) per ordinary share in issue in respect of the six months ended 30 June 2016 payable on or before 13 October 2016 to shareholders whose names are on the Registers of Members on 30 September 2016.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 28 September 2016 to Friday, 30 September 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrars, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 27 September 2016. Cheques for interim dividends will be dispatched on or before 13 October 2016 to shareholders where names are on the Register of Members on 30 September 2016.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 30 June 2016, 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in ordinary shares of the Company:

Name of director	Notes	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
		Directly Beneficially owned	Family interest held by spouse	Through controlled corporation	Through Trustee of a Trust		
Cheng Cheung	(a)	20,842,800	–	36,912,027	–	57,754,827	11.43
Luk Yan	(b)	3,070,800	174,000	–	272,767,224	276,012,024	54.62
Luk Fung	(b)	3,229,600	–	–	272,767,224	275,996,824	54.62
Luk Sze Wan, Monsie	(b)	1,300,000	–	–	272,767,224	274,067,224	54.24
Fan Chiu Tat, Martin		1,500,000	–	–	–	1,500,000	0.30

Other Information

Long positions in shares of an associated corporation:

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

Notes:

- (a) 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.
- (b) The interests disclosed by Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie under the heading "Through Trustee of a Trust" in the above table refer to the same shares held by Luks Family (PTC) Limited, as trustee of Luks Family Trust. Each of Mr. Luk Yan, Mr. Luk Ngai, Mr. Luk Fung and Mrs. Luk Sze Wan, Monsie was the beneficiary of Luks Family Trust. The shareholdings of Mr. Luk Ngai and Luks Family (PTC) Limited were disclosed in the below section referring to Substantial Shareholders' interests in shares.
- (c) Mr. Luk Fung had a beneficial interest in Vigconic Biotechnology Company Limited, which held 2,462,402 shares of US\$1 each of VI at the 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.

Save as disclosed above, as at 30 June 2016, 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 period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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

At 30 June 2016, 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
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.31
Luks Family (PTC) Limited	Directly beneficially owned	272,767,224	53.98
Luk Ngai (Note)	Directly beneficially owned and through Trustee of a Trust	276,157,224	54.65

Note: Mr. Luk Ngai's interests included a personal interest of 3,390,000 shares of the Company and as one of the beneficiaries together with Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie of the 272,767,224 shares of the Company held by Luks Family (PTC) Limited (being trustee of Luks Family Trust).

Save as disclosed above, as at 30 June 2016, 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.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

Other Information

Code on Corporate Governance Practices

In the opinion of the directors, the Company complied with the code provisions (the “Code”) as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the unaudited interim condensed consolidated financial statements, except for the followings:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. During the accounting period of the financial statements, the roles of Chairman and Chief Executive Officer of the Company were performed by Madam Cheng Cheung. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company’s strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) In respect of code provision A.6.7, Mr. Chan Kam Fuk attended the annual general meeting of the Company held on 20 May 2016 and Mr. Liang Fang and Mr. Liu Li Yuan did not attend the annual general meeting due to their other business commitments.

Model Code for Securities Transactions

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

Audit Committee

The Audit Committee comprises three independent non-executive Directors of the Company, namely Mr. Liang Fang (Chairman), Mr. Liu Li Yuan and Mr. Chan Kam Fuk. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016.

By Order of the Board

Luks Group (Vietnam Holdings) Co., Ltd.

Cheng Cheung

Chairman

Hong Kong

30 August 2016