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 2017

Contents

Corporate Information

Executive Directors

Cheng Cheung *(Chairman and Chief Executive Officer)*
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie

Independent Non-Executive Directors

Liu Li Yuan
Liang Fang
Lam Chi Kuen

Company Secretary

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

Principal Bankers

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

Auditor

Ernst & Young
Certified Public Accountants

Principal Share Registrar

Condan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar

Tricor Tengis Limited
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

Corporate Website

www.luks.com.hk

Chairman's Statement

Business Review and Outlook

In 2017, Vietnam's economy was performing well in general with shinning indexes of performance in all spectrums. The economic growth was particularly robust in the second half of 2017, resulted in a GDP growth rate of 6.8% for 2017, beating both the government and the IMF's estimates. It was also the highest figure since 2011. The growth was noticeable throughout all economic sectors according to the General Statistics Office of the government. Tourists' arrival increased 29% to 13 million visitors for 2017 comparing to last year, with China and South Korea being the major sources of visitors. On the other hand, a total of 35.9 billion US dollars pledged foreign direct investments ("FDI") was recorded in 2017, a remarkably increase of about 45% comparing to last year.

According to the General Department of Vietnam Customs Statistics, Vietnam had a trade surplus of USD2.7 billion for 2017, with US and EU being the major export markets. The Vietnam's CPI averaged 3.5% for the whole year showing a stable inflation rate throughout the year, which was also under the government's target of 4% for 2017. The currency of Vietnam was stable against the US dollar during 2017. The exchange rate was 1 USD to 22,711 VND as at 31 December 2017, with a slight appreciation as compared to the rate as at 31 December 2016.

In line with the Vietnam's economic growth, total sales and revenue for both of the Group's cement plant and the Saigon Trade Center in Vietnam also recorded increment for the year of 2017. However, only the Saigon Trade Center recorded a profit growth, whereas the cement operation recorded a profit decline as comparing to the last year figures. With the Group's hotel in Hong Kong came into operation in July 2017, the Group showed a new source of revenue from hotel business in this year.

For the year ended 31 December 2017, the Group recorded a turnover of HK$665,072,000, representing an increase of 6.8% as compared to HK$622,685,000 of last year. The Group's principal revenue comes from the cement business, property investment and hotel business. Of which, turnover from the cement business was HK$511,166,000 representing a year-on-year increase of 1.9%, and turnover from the property investment was HK$119,525,000, representing an increase of 7.9% as compared to 2016, whereas turnover from hotel business was HK$23,633,000.

The consolidated net profit attributable to shareholders was HK$94,417,000 for the year, representing a decrease of approximately 15.7% when compared to HK$111,974,000 of 2016. Earnings per share for 2017 were HK18.7 cents (2016: HK22.2 cents).

Cement Business

Although the Vietnam construction sector recorded a strong growth of 9.6% in 2017, the domestic demand of cement grew only mildly. Vietnam domestic demand of cement for 2017 was 62 million tonnes, according to the Ministry of Construction, representing a growth of mere 3% comparing to last year. The reasons were partly due to an exceptional bad weather in the fourth quarter of 2017 and delays in a number of sizeable national infrastructure projects in 2017. The average cement price was flat comparing to last year as a result of the moderate demand growth.

In 2017, the Group's cement operation recorded total cement and clinker sales of 1,487,000 tonnes, a year-on-year increase of approximately 13.7%. Sales revenue translating into Hong Kong dollars was HK$511,166,000, represented an increase of about 1.9%. Profit after tax translating into Hong Kong dollars was HK$39,055,000, a year-on-year decrease of about 12.7%.

Chairman's Statement

Of the Group's cement sales in 2017, the market in central provinces recorded an obvious growth for the first three quarters, attributed to the flourishing development of real estates and infrastructure projects in the region. But the persistent rains and storms in the 4th quarter of 2017 largely affected the sales performance of the cement plant. On the other hand, sales in southern provinces were seen underperformed as a result of fierce market competition and high transportation costs during the year.

The overall production cost slightly increased in 2017, mainly due to the increase in costs of electricity, raw materials and packaging. Yet, the gross profit margin remained stable in 2017 as a result of increase in production quantity. However, transportation and selling expenses increased substantially during the year as a result of the sales to the southern markets.

Foreseeing 2018, the Group will focus on developing the central market and reduce its sales to the southern markets. The Group is also studying the opportunity of exporting its clinkers to overseas market, like Philippines. On the production side, the production kilns and grinding machines will be upgraded so as to improve its efficiency, which may result in an increase in cost of repairs and maintenance in 2018. The Group will strive to control costs of production, transportation and selling expenses in 2018. It is estimated that the sales and revenue of the cement operation will be stable in 2018.

Vietnam Property Investment and Development

Along with the momentum of economic growth in Vietnam, both newly registered enterprises and foreign direct investments grew remarkably in 2017. As a result, the demand of office spaces in Ho Chi Minh City was seen on a rise in all grades and districts during the year. This was especially intensified by a limit of new supply of office spaces in the market in 2017.

In 2017, the Group's Saigon Trade Center in Ho Chi Minh City was also performing well, with both the occupancy rate and the rental rate recorded an increase. As at 31 December 2017, the lease-out rate of Saigon Trade Center was 76%, an increase of four percentage point from 72% as at 31 December 2016. The annual rental income recorded an increase of about 10% comparing to last year.

Foreseeing 2018, Vietnam's economy is expected to grow continuously, whereas foreign investments are still keen on investing in the Vietnamese market. Consequently, the momentum for the demand of office spaces in Ho Chi Minh City remains strong in 2018. However, there will be several new office blocks completed in 2018, which will add to the supply of office spaces in the market. It is estimated that rental performance of the Saigon Trade Center will continue to improve modestly in 2018.

Regarding to the property development project in Binh Thanh District in Ho Chi Minh City, the Group will continue to keep it as land reserve and not develop in this year. Although the residential property market in Ho Chi Minh City has been active in these few years, the absorbing capacity is in doubt with thousands of apartments flooding the market in a short period of time. The Group will continue to keep an eye on the market development, so as to seek for the best timing to develop the project in Binh Thanh District.

On the other hand, in 2017, the Group has invested into a small-sized property development project in Hue Province, situated in central Vietnam. The project named Hue Square is located in the prime city center of Hue Province. The land area is about 10,000 square feet. An initial plan of the Hue Square is to build a shopping and office composite building with a gross floor area of around 60,000 square feet. Total investment is estimated to be around HK$52 million and the completion date is targeted to be at the end of 2019.

Hong Kong Hotel Project and Other Investment Properties

In 2017, the Group is pleased to welcome the grand opening of the Group's first hotel in Hong Kong, the PENTAHOTEL HONG KONG, TUEN MUN. The hotel, located next to the MTR-West Rail Terminal Station in Tuen Mun, has a total number of 298 rooms. The stylish hotel is managed by Pentahotel Management Group.

The performance, as a start-up hotel, was promising for the first several months of operation in 2017, with occupancy rate of around 90%. The hotel generated total revenue of HK$23,633,000 to the Group for the year ended 31 December 2017, which was a new stream of income for the Group starting from the financial year. After charging of the pre-operating expenses and depreciation, the hotel operation recorded a loss of HK$21,532,000 for the year ended 31 December 2017.

Foreseeing 2018, the hotel is expected to contribute positive cashflow to the Group, whereas profit contribution may still be in lack due to the depreciation charge of the hotel property. However, the management is optimistic about the profitability of the hotel operation, especially as demand of hotel rooms in the district is expected to increase after the opening of the Tuen Mun-Chek Lap Kok Link Road of the Hong Kong-Zhuhai-Macao Bridge in 2020, according to the schedule of the Hong Kong Government.

The Group's rental revenue from other investment properties in Hong Kong and China was stable during the year.

Dividend

The Board recommended to distribute a final dividend of HK6 cents per share to the shareholders. Together with the interim dividend of HK5 cents per share already distributed, the total dividend for the year of 2017 will be HK11 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 strategies and direction.

Cheng Cheung
Chairman

26 March, 2018

Management Discussion and Analysis

Financial Review

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 31 December 2017 amounted to HK$198,434,000 (31 December 2016: HK$208,984,000). The Group's total borrowings amounted to HK$61,509,000 (31 December 2016: HK$45,534,000), of which HK$60,538,000 (31 December 2016: HK$44,025,000) was repayable within 1 year and HK$971,000 (31 December 2016: HK$1,509,000) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK$. 2.5% of the total borrowings were at fixed interest rate.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0% as at 31 December 2017 (31 December 2016: 0%).

Significant investments held

As at 31 December 2017, the Group has no significant investment held.

Details of charges

As at 31 December 2017, a hotel property situated in Hong Kong including the related land and building with a carrying amount of HK$614,998,000 and certain investment properties with fair value of HK$153,000,000 were pledged to secure the above bank loans and general banking facilities granted to the Group.

Exposure to fluctuations in exchange rates and related hedges

The Group is exposed to the risk of exchange rate fluctuation's 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 HKD was comparatively stable throughout the year, with an appreciation of 1.03% as at 31 December 2017 when compared to the rate as at 31 December 2016. The Group recorded an exchange loss of HK$259,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited and is not cost efficient to do so. The interest deviation between VND and HKD is also a barrier for setting up an effective hedge for the VND devaluation. As such, the Group has not employed any currency hedging instrument during the financial year.

Details of contingent liability

As at 31 December 2017, the Group has no significant contingent liability (31 December 2016: Nil).

Employees and Remuneration Policy

As at 31 December 2017, the Group had approximately 1,225 employees, of which over 90% were situated in Vietnam. Approximately 80 staff from the hotel operation were added to the total staff of the Group starting from this financial year. The total staff cost (excluding directors remuneration) was approximately HK$64,635,000 for the year ended 31 December 2017 (31 December 2016: HK$46,678,000). The significant increment of the total staff cost for the financial year was largely due to the addition of the hotel staff. Remuneration packages and salary adjustments of the hotel employees were made reference to the market conditions and recommendation of the hotel management company. Apart from this, there was no significant change in the Group's remuneration policy as compared to last financial year.

Environmental, Social and Corporate Responsibility

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, enhances cooperation with its vendors and provides high quality products and services to its customers and dealers so as to ensure sustainable development.

Environmental Social and Governance Report

This is the Environmental, Social and Governance ("ESG") Report prepared by the Group pursuant to the Environmental, Social and Governance Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange ("the Guide"). This report covers our operations in Hong Kong, Vietnam and China for the financial year ended 31 December 2017. As the Group's cement plant employed 90% of the Group's total employees and its operation has the most impact on environment, emphasize has been put on the Group's cement plant in Vietnam based on the materiality principle, while hotel operation and property investment operation have been covered in brief for the relevant aspects involved. The Board has reviewed and approved this ESG Report. This ESG Report addresses all the General Disclosures under each Aspect of the Guide.

Environment

The Group recognizes the importance of adhering to environmental laws and regulations and adopting of proper environmental policies are essential to the sustainability of the corporate growth. The Group's operations have been strictly following the environmental laws and regulations in their respective countries. The Group's cement plant in Hue, Vietnam has specifically set up an ISO department, with purposes of formulating the Group's environmental policies and ensuring the cement operation is in all time complying with the policies. The ISO department also keeps an eye on the latest development of the environmental laws and regulations in Vietnam and to make sure the cement plant is in compliance with the relevant laws and regulations from time to time.

1. Emission

The main environmental issues associated with cement production are the consumption of raw materials and energy, as well as emissions to air. The key polluting substances emitted to air are dust, carbon dioxide (CO2), nitrogen oxide (NOx) and sulphur dioxide (SO2). Other less polluting substances include carbon oxides, polychlorinated dibenzo-p-dioxins and dibenzofurans, total organic carbon, metals, hydrogen chloride and hydrogen fluoride.

Coal consumption is the main source of gas emission in the cement production process. On average, it requires 0.149 ton of coal to produce one ton of clinker. In 2017, the Group's cement operation consumed 170,322 ton of coal

1.1 Carbon dioxide (CO_2)

CO2 is released as a by-product during calcination, which occurs in the upper and cooler end of the kiln, or a precalciner, at temperatures of 600-900°C, and results in the conversion of carbonates to oxides. At higher temperatures in the lower end of the kiln, the lime (CaO) reacts with silica, aluminum and iron containing materials to produce minerals in the clinker, an intermediate product of cement manufacture. The clinker is then removed from the kiln for cooling, grounding to fine powder, and mixing with a small fraction (about five percent) of gypsum to create the most common form of cement known as Portland cement.

The Group's cement plant is operating two production lines, namely C and D lines. In 2017, CO2 emission measurements for the C and D production line were 78.3 mg/Nm3 and 122.7 mg/Nm3 respectively.

1.2 Nitrogen oxide (NO_x)

Nitrogen Oxide (NOx) is a family of poisonous, highly reactive gases. NOx is a by-product produced by the clinker burning process under exceptional high temperature. Efficient technical measures are required to reduce its emission in the process. NOx often appears as a brownish gas and it is a strong oxidizing agent, playing a major role in the atmospheric reaction with volatile organic compounds (VOC) that produces smog on hot summer days

In 2017, NOx emission measurements for the C and D production line were 806.2 mg/Nm3 and 902.9 mg/Nm3 respectively.

Environment (continued)

1. Emission (continued)

1.3 Sulphur dioxide (SO_2)

Sulfur dioxide is an invisible gas with nasty and sharp smell. It reacts easily with other substances to form harmful compounds, such as sulfuric acid, sulfurous acid and sulfate particles. The main source of sulfur dioxide in the air is industrial activity that processes materials containing sulfur such as the electricity generation from coal, oil or gas. Sulfur oxides, mainly SO2, are generated both from the sulfur compounds in the raw materials and from sulfur in fuels used to fire a preheater.

In 2017, SO2 emission measurements for the C and D production line were 12.4 mg/Nm3 and 17.5 mg/Nm3 respectively.

1.4 Dust

Dust emissions originate mainly from the raw mills, the kiln system, the clinker cooler, and the cement mills. A general feature of these process steps is that hot exhaust gas or exhaust air is passing through pulverized material resulting in an intimately dispersed mixture of gas and particulates.

In 2017, dust emission measurements for the C and D production line were 9.94 mg/Nm3 and 20.69 mg/Nm3 respectively.

1.5 Water

Waste water discharge is usually limited to surface run off and cooling water only and causes no substantial contribution to water pollution. The storage and handling of fuels is a potential source of contamination of soil and groundwater. Apart from that, the environment can be affected by noise and odors.

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan

Regarding environmental issues such as emission, dust, noise, water, the Group appoints environmental monitor company every year in performing related measurements on quarterly basis in accordance with respective Vietnam environmental legislation, measurement and analysis as follows:–

Vietnam environmental measurement standards *Appendix 1*

No.	Item	Measurement and Analysis Method
1	Air Quality	
1.1	Air Quality (Dust Content)	TCVN 5067:1995
1.2	Amount of Dust	TCVN 5704:1993
1.3	NO2	TCVN 6137:2009
1.4	SO2	TCVN 5971:1995
1.5	CO	ASTM D1945
1.6	H2S	MASA Method 701
2	Noise, Vibration, Meteorological Observation	
2.1	Noise	TCVN 7878:–2:2010
2.2	Vibration	TCVN 6963: 2001
2.3	Meteorological Observation (Temperature, Humidity, Wind speed and pressure)	QCVN46:2012/BTNMT
3	Exhaust Gas	
3.1	Amount of Dust and Content (CO, NOx, SO2)	TCVN 5977:2009
4	Waste Water	
4.1	pH	TCVN 6492:2011
4.2	DO(Dissolved Oxygen)	TCVN 7325:2004
4.3	Color	TCVN 6185:2008
4.4	Hardness (CaCO3)	SMEWW 2340C:2012
4.5	TSS (Suspended Solids)	TCVN 6625:2000
4.6	COD (Chemical Oxygen Demand)	SMEWW 5220-C:2012
4.7	BOD5(Biochemical Oxygen Demand)	TCVN 6001:2008
4.8	Fe (Iron)	TCVN 6177:1996
4.9	Zn (Zinc)	TCVN 6193:1996
4.10	Pb (Lead)	SMEWW 3113B:2012
4.11	Cd (Cadmium)	SMEWW 3113B:2012
4.12	Mn (Manganese)	SMEWW 3113B:2012
4.13	Hg (Mercury)	TCVN 7877:2008
4.14	As (Arsenic)	TCVN 6626:2000
4.15	Oil, Grease	TCVN 5070:1995
4.16	Coliform	TCVN 6187-2: 2009
4.17	E. Coli	TCVN 6187-2: 2009

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan

No.	Item	Measurement and Analysis Method
5	Surface Water	
5.1	pH	TCVN 6492:2011
5.2	DO (Dissolved Oxygen)	TCVN 7325:2004
5.3	Color	TCVN 6185:2008
5.4	Hardness (CaCO3)	SMEWW 2340C:2012
5.5	TSS (Suspended Solids)	TCVN 6625:2000
5.6	BOD5 (Biochemical Oxygen Demand)	TCVN 6001:2008
5.7	Fe (Iron)	TCVN 6177:1996
5.8	Zn (Zinc)	TCVN 6193:1996
5.9	Pb (Lead)	SMEWW 3113B:2012
5.10	Mn (Manganese)	SMEWW 3113B:2012
5.11	Oil, Grease	TCVN 5070:1995
5.12	Coliform	TCVN 6187-2: 2009
5.13	E. Coli	TCVN 6187-2: 2009

All the measurement results are required to compare with respective Vietnam National Standards such as:

1. QCVN 05:2013/BTNMT (National technical regulations on Surrounding Air Quality)
2. QCVN 06:2009/BTNMT (National technical regulations on hazardous substances in ambient air)
3. QCVN 40:2011/BTNMT (National technical regulations on Industrial Wastewater)
4. QCVN 23:2009/BTNMT (National technical regulations on Emissions of Cement Production)
5. QCVN 24:2017/BYT (National technical regulations on permissible levels of noise at workplace)
6. QCVN 26:2017/BYT (National technical regulations on permissible value of microclimate in the workplace)
7. QCVN 27:2017/BYT (National technical regulations on permissible levels of vibration in the workplace)
8. Decision No. 3733/2002/QD-BYT (Decision about Workplace environment: 21 occupational health standards, 5 basic principle and 7 Working hygiene parameters)

According to all environmental measurement quarterly report in 2017, the Group's cement plant has complied with all the above-said Vietnam Nation standards and requirements.

To strengthen the emission control, the cement plant has signed contract with VIET AN ENVIRONMENT TECHNOLOGY JSC (No: 165/2017/HDKTDA-VAE) in Oct 2017 for the installation of emission monitoring system. The installation will be completed in 2018.

Environment (continued)

1. Emission (continued)

1.7 Physical Wastes

Apart from the above emission issues, there are some physical wastes arising from daily operations. These physical wastes can be classified as hazardous and non-hazardous nature.

For hazardous waste such as electronic items, used oil and used filter bags, the cement plant has appointed a government approved agent to dispose those hazardous waste. In 2017, the total volume of physical hazardous wastes was 35,130 kg.

For non-hazardous waste, the cement plant classifies the wastes systematically and arranges the wastes in kinds. A service provider has been appointed to collect the wastes. In 2017, the total volume of physical non-hazardous wastes was 126,000 kg.

In regards to the hotel operation:– the hotel does not generate hazardous waste during its business operation and has operated in an environmentally responsible manner in line with the applicable environment protection laws and regulations whenever practicable.

During the reporting year, the hotel was charged with a penalty under Section 43 of Air Pollution Control Ordinance, Cap. 311, before opening in July 2017. The reason for the penalty was that the hotel failed to submit application for prior approval to the EPD 28 days before the commencement of work on the cooking machine installation. The hotel paid the penalty and remedy was done.

2. Use of Resources

2.1 Coal and Electricity

For the Group's cement plant, the cement production process consumes huge amount of energy. The energy consumptions are mainly coal and electricity. In 2017, the consumption of coal and electricity were 170,322 ton and 150,241,197 kwh respectively.

To reduce electricity consumption, the cement plant has conducted a research on the "Waste Heat Recovery ("WHR") Power Systems". The cement plant appointed a Chinese consultancy company to perform a feasibility study on the WHR boiler steam turbine generator system target to be installed in the plant's existing cement production lines. The WHR system utilizes wasted heat currently emitted from the cement production lines. The WHR boilers will generate steam using the wasted heat exhausted from the cement plant, and the steam will be fed into the steam turbine generator to generate electricity. It can reduce power consumption from the national electricity grid which will lead to the reduction of fossil fuel combustion at the national electricity grid's connected power plants.

In regards to the investment property operation:– the Group aims to improve efficiency in the consumption of electricity for its Saigon Trade Center and other leasing properties in Vietnam, Hong Kong and China. The lightings in all public areas have gradually been replaced by energy efficient alternatives with longer life spans, such as LED light bulbs. Energy-saving protocols have also been implemented, such as the timely switch-off of air-conditioning system of the premises.

Environment (continued)

2. Use of Resources (continued)

2.2 Water

Water is mainly for machine cooling purpose for the cement plant. In 2017, the cement plant consumed a total a volume of around 436,126 m3 water. Underground water and raining water are the main water source of the cement plant. There was no difficulty in sourcing water during 2017.

2.3 Packing Material

Cement bag is the major packing material in our cement plant. One cement bag contains 50 kg of cement. In 2017, the cement plant consumed 15,181,879 pieces of cement bag.

3. The Environment and Natural Resources

The procurement of local raw materials forms the basis of the manufacture of cement. The raw materials needed to produce cement (calcium carbonate, silica, alumina and iron ore) are generally extracted from limestone rock, chalk, clayey schist or clay.

The Vietnam Government imposes fees and charges for the use of raw materials. During 2017, the cement plant has paid timely on all charges and fees in accordance with respective decisions issued by Vietnam Government such as mine restoration fund (2463/QD-BTNMT; dated 23/12/2010), mining right charge (3027/QD-BTNMT; dated 25/12/2014), environmental and natural resources tax (44/2017/TT-BTC dated: 12/05/2017)

Regarding the limestone mine exploitation, the respective Government department assists and instructs the cement plant on how to minimize implications from the mine exploitation. At the end of each year, the cement plant is obliged to provide the mine's geographic map to the local Environment department office for record and review. During the year, the cement plant has rented certain land from the local Government for the planting of trees and vegetation as one of the company's policy to improve the environment.

In regards to the hotel operation:– the hotel aims at rationalizing the use of water, electricity, gas and paper, reducing the volume of wastes and improving waste management. The consumption of energy and resources of the hotel in 2017 were as follows:

Towngas: A total of 909,977 MJ of towngas was used. The hotel is trying the best effort on gas saving by adjusting temperature of the boiler under the weather reporting.

Electricity: A total of 1,237,306 kWh of electricity was used. 99% of bulbs in hotel are being used by LED light. Refer to the Air-conditioner; the hotel is using water cool chiller system in which is environmental friendly and has greater energy efficiency, better controllability, and longer life. The office equipment (computer and copier) and the light in hotel back office will be turned off after office hour. On the other hand, the electricity in the guest rooms will be turned off if there are no in-house guests. According to the above energy saving procedure, hotel management is keep thinking more energy saving procedure in coming year.

Environment (continued)

3. The Environment and Natural Resources (continued)

Water: the hotel consumed in total of 12,194 cu.m. in 2017. The management is considering to introduce a measure for the guests to change linen and towel by request if guests stay more than one night.

Paper: to reduce paper consumption, the hotel encourages the employee to use recycled paper for printing and copying, double-sided printing and copying

Social

1. Employment

As at 31 December 2017, the Group's cement plant had about 1055 employees. The basic salary levels for all employees of the cement plant are above the minimum salary requirement in respective areas. All employees in Vietnam have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws.

According to the Vietnam labour law (10/2012/QH13), trade unions have been established in the Group's cement plant in Hue and each of its subsidiaries. The management supports and works closely with the trade unions to exchange and manage labour issues of the local employees.

Besides, the cement plant has signed a collective labour agreement with each trade union in accordance with the Vietnam labour law (10/2012/QH13). The collective labour agreement is a written agreement between a labour collective and the employer in respect of working conditions that both parties have agreed upon through collective negotiation. The signed collective labor agreement has been registered with the provincial state management agency on labour and the Ministry of Labour, War Invalids and Social Affairs office in Hue and Ninh Thuan.

In regards to the hotel operation:– recognizing the importance of human capital in supporting our operations, the hotel has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to achieve the hotel's success. Various communication channels are also in place for the hotel and our colleagues to discuss, respond to and resolve issues of concern. In fact, the hotel firmly commits to gender equality and therefore particularly encourages female participation at managerial and operation levels.

The management believes that employees are important assets for the hotel and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. Staff turnover rate among managerial level was zero but among supervisor and lower level staff was 50% till 31 December 2017, mainly was on operation level.

The hotel had 79 full-time employees as at 31 December 2017, comprising of 37 males and 42 females. For the office staff, the working hour is from 9 am to 6 pm for a five-day week from Monday to Friday. For the operation staff, their working hours are on shift basis, to be arranged by their respective department head. The staff benefits include meal, medical, annual leave and other competitive fringe benefits.

Social (continued)

2. Health and Safety

The Group has compiled with the Vietnam labour law and collective labour agreement on labour safety and hygiene. The Group's cement plant provides personal protective equipment (such as safety helmets, gloves, ear plugs, eye protection, high-visibility clothing) to the employees where working environment required.

Besides, the cement plant has its own safety team to monitor workplace safety, provide safety training and handle occupational accident. Also, the cement plant has set up cleaning team in each company to maintain the workplace hygiene and cleaning. For labour health, the cement plant arranges medical check-up for all employees twice per annum. All employees have done the medical check-up in Apr and October of 2017.

In regards to the hotel operation:– maintaining a safe, healthy and hygienic environment across the operation is the fundamental principle of the hotel, with its obligation extending not only to own employees but also to customers and anyone who legitimately enters our facilities. Adequate arrangements, training courses and guidelines are implemented for promoting occupational health and safety. An office memo on occupational health and safety is issued to each employee as they commence employment.

The hotel proactively identifies potential occupational hazards to reduce staff exposure to accidents. For instance, the restaurant's staff is required to wear anti-skid shoes and anti-cutting gloves to prevent injuries. According to the hotel's records, there was not any work-related fatality for the financial year ended 31 December 2017.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment & protecting employee from occupational hazards during the reporting period.

3. Development and Training

The Group recognizes the importance of having a skilled workforce to achieve strategic and operational plans and is committed to providing an environment that is conducive to effective performance and promotes training and development opportunities for all staff.

The Group's cement plant provides equal opportunity for all staff to develop their knowledge, skills and abilities through a blend of learning methods including mentoring, coaching, on the job learning, courses, conferences and seminars. The training needs of staff will be identified by individual departments and be approved by the General Manager in line with best practice and legislative guidelines. The cement plant arranged security training and fire prevention training courses to all security staff in October of 2017 respectively. Related training courses were being organized by local police and fire department as well during the year.

Besides, a "chemical material accident and safety training" courses was organized by Hue Technical School to the staff working in Quality Assurance, safety and material control department in Jun 2017.

Social (continued)

3. Development and Training (continued)

In regards to the hotel operation:– the hotel also recognized the importance of skilled and professional training to hotel's business growth and future success, as well as the learning and self-enrichment are the principal methods to equip employees with sustainable values. The hotel is responsible for providing opportunities for its employees for continuous improvement. Various training courses for different level and position of employees are regularly conducted to promote occupational safety, personal and food hygiene, fire and emergency response, first aid and customer serving skills.

For instance, the training courses will be provided to the following employees:

- Managerial level: complaint and employment handling.
- F&B position: Food Hygiene and first-aid.
- Security: First-aid, fire and emergency response.
- Office and Housekeeping staff: occupational safety.
- Front Office: First-aid and complaint handling.

The average training hours for each employee were about 6-8 hours

4. Labour Standards

For the cement operation, all employees of the Group are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions. The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the employment laws and other regulations related to, among other things, prevention of child labour and forced labour. According to the Vietnamese law, the employment of children under the age of 15 is prohibited. In 2017, the youngest employee working in the cement plant was aged 20.

According to the cement plant's human resources record, more than 90% of total employees have Year 9 or higher education background, while 50% of total employees have Year 12 or higher education background in Vietnam. The cement plant provides the ISO and work safety training to all staff after joining the company and also encourages each department to organize appropriate work-skill development training.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to prevention of child and forced labour.

Social (continued)

5. Supply Chain Management

For the cement operation, according to the Group's purchasing policy and procedure, prior to the purchase of goods and services, sufficient justification must be presented to demonstrate the need for the goods and services to be procured. The approval from General Manager is required for any acquisition of goods and services.

Based on purchase requisition request(s) provided by user department, the purchasing department will seek for appropriate suppliers and perform quality and price comparison for the General Manager to review and approve. All goods received are required to be inspected by user department.

For production materials procurement, in general there are 2 to 3 qualified suppliers for supplying each type of production material. It can avoid the issue of excessive concentration on single supplier for production material supply. The Group's Quality Assurance Department is required to inspect the quality of each log of production material being received. For supplier selection, purchasing department will make recommendation to the General Manager and the consideration shall be based on pricing, good and service quality, reliability and market goodwill.

In regards to the hotel operation:– the hotel works closely with a number of suppliers in providing a range of hospitality goods, including guestroom consumables, tableware, furniture, and foods and beverages. Most of the hotel's procurements will undergo tender processes. The hotel implements a fair tender process to ensure adequate competition and adopts a series of assessment methods in relation to supplier management to ensure the quality of its supplied products and services. To enhance the hotel's procurement of environmentally responsible items, the management will keep reviewing alternative options to purchase products from organic and/or sustainably managed sources, environmentally superior products, as well as purchase from local or regional companies so as to reduce the environmental impact during the process of manufacturing and transportation.

6. Product Responsibility

The brand name of the Group's cement products, namely "KIM DINH" has been widely recognized in the local market, especially around the regions of the central Vietnam.

All our clinker and cement products have been awarded by QUACERT with the respective Vietnam product standard certificates.

Product	Product Standard	Reward Date
Clinker	TCVN7024:2002	04 Apr 2005
Portland Cement PCB30	TCVN6260:2009	29 Apr 2002
Portland Cement PCB40	TCVN6260:2009	29 Apr 2002
Portland Cement PC40	TCVN2682:2009	29 Apr 2002
Portland Cement Type I & V	ASTM C150/C150M-12	05 Jun 2003
Portland Cement PCSR40	TCVN6067:2004	18 Mar 2002

Social (continued)

6. Product Responsibility (continued)

Also, all our cement products are complied with Vietnam National standards on products, goods and construction materials (QCVN16:2014/BXD). Furthermore, the Company has been awarded by QUACERT with the certificates of ISO 9001, ISO 14001 and OHSAS 18001, demonstrating that our cement plant has already established a well-recognized management system.

Vietnam Certification Centre (QUACERT) is the National Certification Body of Vietnam established by the Ministry of Science and Technology as a subsidiary of the Directorate of Standards, Metrology and Quality (STAMEQ), to support the state management over standardization. QUACERT performs respective product review every 9 months. All product certificates are required to renew every 3 years.

In regards to the hotel operation:– the F&B Department adheres to all relevant legislations, including but not limited to nutritional and food allergy labelling. The quality and hygiene of our cuisines are effectively managed under an extensive food safety manual. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the hotel.

Complaints were received once or twice a month. Usually the complaints were about the facilities in guestrooms. The hotel staff responded to the complaints immediately and changed or repaired the non-functional equipment. In case the equipment in the room could not be repaired, the hotel staff would change another room for the guest.

Data Privacy: The hotel will only collect personal data for operational needs and clearly inform all customers or persons about the information collected will be kept confidential, securely and accessible by designated personnel only. During the reporting year, there was no substantiated complaints received concerning breaches of customer privacy and losses of customer data.

7. Anti-Corruption

The Group has developed an anti-corruption policy statement which is applied to all personnel of the Group (including direct and indirect subsidiaries and controlled affiliates, individually and collectively). All personnel are responsible for complying with this policy and all applicable anti-corruption laws in the performance of their duties for the Group.

In regards to the hotel operation:– the hotel does not tolerate any forms of corruption or malpractice such as bribery, money laundering, extortion and fraud. Professional conduct at the workplace is outlined in the employee handbook. During the reporting year, there was no reported case of corruption or bribery.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering during the reporting period.

Social (continued)

8. Community Investment

In 2017, the Group has developed Corporate Social Responsibility policy as our guideline for community investment and donation in Vietnam for its cement operation. The purpose of this policy is to establish a fair, consistent and transparent process by which requests for support for eligible charities will be managed. Our community investment focuses on poverty group, child education, medical and health services.

In 2017, the Group's cement plant had contributed to the Huong Tra Community fund for the local people health improvement and "Operation Smile", an organization for reconstruction surgery for Vietnam's children facial. In 2018, the cement plant plan to further work with the Provincial Government of Hue in assisting the poverty and child education.

Corporate Governance Practices

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 of The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Throughout the financial year ended 31 December 2017, the Company has complied with the code provisions set out in the Code the except for code provisions of A.4.1, A.4.2 and A.6.7.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung.

According to the Company's Bye-laws, the Chairman of the Board and the Chief Executive Officer 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 deviations from the code provision A.4.1 and A.4.2 are acceptable.

In respect of code provision A.6.7, except LAM Chi Kuen, the other two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 25 May 2017 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 Mdm. CHENG Cheung (the Chairman), Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan Monsie as executive directors, Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. LAM Chi Kuen as independent non-executive directors. Their biographical details are presented on page 29 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. LAM Chi Kuen considers them to be independent.

THE BOARD (continued)

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 three meetings during the financial year ended 31 December 2017. Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan, Monsie attended all board meetings, while Mr. LIU Li Yuan, Mr. LIANG Fang and Mr. LAM Chi Kuen attended two board meetings.

Appointment, re-election and removal of Directors

The Board is responsible for the appointment and removal of Directors.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not greater than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting.

According to the Company's Bye-laws, any director in his first year of appointment is subject to re-election by shareholders at the forthcoming annual general meeting.

All Independent Non-executive Directors are appointed for a specific term of one year and are subject to re-election at each annual general meeting.

THE BOARD (continued)

Induction and Continuous Professional Development of Directors

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 2017, 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

Mdm. CHENG Cheung, Mr. LUK Yan, Ms. LUK Sze Wan Monsie and Mr. LIU Li Yuan have attained (A) above, whereas Mr. LUK Fung, Mr. FAN Chiu Tat Martin, Mr. LAM Chi Kuen and Mr. LIANG Fang, have attained both (A) and (B) above.

Directors' and Officers' Liability Insurance and Indemnity

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

Chairman and Chief Executive Officer

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, both the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung. Mdm. CHENG is a founder of the Company and is 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. LAM Chi Kuen. 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 auditor's 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 2017, 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 2016 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 2017;

(iv) reviewed and recommended 2017 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;

(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.

BOARD COMMITTEES (continued)

Remuneration Committee (continued)

In 2017, the Remuneration Committee met once. 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 and recommended revision of the existing remuneration packages of the Executive Directors;

(iii) reviewed remuneration and the renewal of the terms of appointment of the independent non-executive directors for one year commencing from the date of the Annual General Meeting of the company for the year.

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 Mdm. Cheng Cheung, the Chairman of the Company. Mdm. Cheng Cheung 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 2017, the Nomination Committee met once. Mdm. CHENG Cheung, Mr. LIU Li Yuan and Mr. LIANG Fang attended all 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 2017. 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 2017 until the conclusion of the next annual general meeting.

For the year ended 31 December 2017, amounts of HK$2,248,400 and HK$304,000 were paid to Ernst & Young for their statutory audit service and non-audit services 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 34 to 38.

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 2017, 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 The Stock Exchange of Hong Kong Limited ("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 auditor's report.

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

INVESTOR RELATIONS

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

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2017.

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 1 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 2017 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 39 to 103.

An interim dividend of HK5 cents per ordinary share was paid on 6 October 2017. The directors recommend the payment of a final dividend of HK6 cents per ordinary share in respect of the year to shareholders on the register of members on 7 June 2018.

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 106. 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 13 and 14 to the financial statements respectively. Further details of the Group's investment properties are set out on page 104.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 30 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

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 31 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2017, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$172,608,000, of which HK$30,318,000 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 57% of the total sales for the year and sales to the largest customer included therein amounted to approximately 21%. Purchases from the Group's five largest suppliers accounted for approximately 60% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 19%.

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:

Cheng Cheung
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie

Independent non-executive directors:

Liu Li Yuan
Liang Fang
Lam Chi Kuen

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

Directors' and Senior Management's Biographies

Madam Cheng Cheung, aged 77, is Chairman and CEO of the Company, and a member of the Company's Remuneration Committee and Nomination Committee. Madam Cheng Cheung has been with the Group for over 40 years. She is mainly responsible for the overall strategic planning of the Group. She also holds directorship in various subsidiaries of the Group. Madam Cheng Cheung is the mother of Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Luk Yan, aged 53, is an Executive Director of the Company. He is the General Manager of Luks Land (Vietnam) Company Limited, a wholly-owned subsidiary of the Group and is responsible for the Group's property investment and management in Vietnam. He has been with the Group for 28 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, an elder brother of Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Fan Chiu Tat, Martin, aged 51, 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 is also the financial controller of the Company. He has been with the Group for 28 years. He also holds directorship in various subsidiaries of the Group.

Mr. Luk Fung, aged 49, is an Executive Director of the Company. 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. He is the General Manager of Luks Cement (Vietnam) Company Limited, a wholly-owned subsidiary of the Group and is responsible for the development of the cement business of the Group. He has been with the Group for 18 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, a younger brother of Mr. Luk Yan and an elder brother of Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Ms. Luk Sze Wan, Monsie, aged 41, is an Executive Director of the Company. Ms. Luk holds a Bachelor of Arts Degree from The University of Hong Kong. She has been working for the Group for over 11 years. She has been holding the position of the Investor Relations Director, being responsible for investor relations of the Group. Ms. Luk is also in charge of the hotel development project of the Group. She also holds directorship in various subsidiaries of the Group. She is the daughter of Madam Cheng Cheung and the younger sister of Mr. Luk Yan and Mr. Luk Fung, who are all Executive Directors of the Company.

Mr. Liang Fang, aged 66, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liang 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. Liu Li Yuan, aged 67, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu is a graduate with a Diploma from the Faculty of Law of The University of Beijing. He is currently a director of a property investment and management company in Mainland China.

Mr. Lam Chi Kuen, aged 64, is an Independent Non-Executive Director and a member of the Audit Committee of the Company. Mr. Lam has years of experience in auditing, finance and accounting fields. He currently serves as an Independent Non-Executive Director of China Pacific Insurance (Group) Company Limited. He was formerly a senior adviser and partner of Ernst & Young. He was awarded with a Higher Diploma in Accounting. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained Directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

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. The Directors' remuneration is determined by the Remuneration Committee of the Company. Please refer to pages 23 to 24 of this Annual Report for details.

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' Interest in Competing Business

As at 31 December 2017, none of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

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

At 31 December 2017, 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**	**Family interest held by spouse**	**Through controlled corporation**	**Through Trustee of a Trust**	**Total**	**Percentage of the Company's issued share capital**
Cheng Cheung	(a)	20,942,800	–	36,912,027	–	57,854,827	11.45
Luk Yan	(b)	3,070,800	174,000	–	272,824,862	276,069,662	54.64
Luk Fung	(b)	3,229,600	–	–	272,824,862	276,054,462	54.63
Luk Sze Wan, Monsie	(b)	1,300,000	–	–	272,824,862	274,124,862	54.25
Fan Chiu Tat, Martin		1,500,000	–	–	–	1,500,000	0.30

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 The Luks Family Trust. Each of Mr. Luk Yan, Mr. Luk Ngai, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie was the beneficiary of The 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.

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 2017, 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 2017, 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
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.31
Luks Family (PTC) Limited	Directly beneficially owned	272,824,862	53.99
Luk Ngai (Note)	Directly beneficially owned and through Trustee of a Trust	276,214,862	54.66

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 272,824,862 shares of the Company held by Luks Family (PTC) Limited Limited(being trustee of the Luks Family Trust).

Save as disclosed above, as at 31 December 2017, 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 InterContinental Grand Stanford Hong Kong Hotel, Monet Room, B1 Level, 70 Mody Road, Tsimshatsui East, Kowloon, Hong Kong at 3:30 p.m. on Tuesday, 29 May 2018.

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.

Auditor

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Cheung
Chairman
Hong Kong

26 March 2018

Independent auditor's report

EY 安永

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

Opinion

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 39 to 103, which comprise the consolidated statement of financial position as at 31 December 2017, 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 notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Estimation of fair value of investment properties	
The Group holds a portfolio of investment properties situated in Vietnam, Hong Kong and Mainland China for rental earning purpose. Such investment properties are measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties amounted to HK$1,147 million as at 31 December 2017. Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as estimated rental value of the relevant properties and made assumptions about discount rates and reversionary yields, etc. Disclosures in relation to the estimation of fair values of investment properties are included in notes 3 and 14 to the financial statements.	Our audit procedures to assess the valuations of investment properties included the following: • obtained and reviewed the valuation reports prepared by the external valuers engaged by the Group; • assessed the external valuers' qualifications, experience and expertise and considered their objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodologies applied and evaluate the key assumptions and estimates adopted in the valuations or perform benchmarking on the value of the investment properties to other comparable properties; • compared property-related data used as inputs for the valuations with underlying documentation, such as lease agreements; and • assessed the adequacy of the disclosures on the valuation of the investment properties.

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment – hotel property	
The Group holds a hotel property in Hong Kong (the "Hotel Property") with a net carrying amount of HK$634 million (including the related land and building, furniture and fixtures, and office equipment) as at 31 December 2017. At the end of the reporting period, management performed an impairment assessment of the Hotel Property and determined its recoverable amount based on the fair value less costs of disposal. Management engaged an external valuer to perform the fair value estimation of the Hotel Property. The impairment assessment of the Hotel Property is significant to our audit due to (i) the magnitude of the net carrying amount of HK$634 million as at 31 December 2017; and (ii) the determination of the fair value less costs of disposal of the Hotel Property is dependent on a range of estimates such as estimated occupancy rates, estimated future cash flows and discount rate, etc. Disclosures in relation to the Hotel Property are included in notes 3 and 13 to the financial statements.	Our audit procedures to evaluate the recoverable amount of the Hotel Property included the following: • obtained and reviewed the valuation report prepared by the external valuer engaged by the Group and on which the directors' assessment of the recoverable amount of the Hotel Property was based; • assessed the external valuer's qualifications, experience and expertise and considered its objectivity and independence; • involved our internal valuation specialists to assist us to assess the valuation methodology applied and the key estimates and assumptions adopted in the valuation; and • evaluated the estimated costs of disposal prepared by management.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA 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.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. 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.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Cheuk Keung.

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

26 March 2018

Consolidated Statement of Profit or Loss

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	5	**665,072**	622,685
Cost of sales		**(431,106)**	(402,392)
Gross profit		**233,966**	220,293
Other income and gains	5	**6,313**	13,088
Fair value gains on investment properties, net	14	**34,272**	9,240
Selling and distribution expenses		**(75,820)**	(51,038)
Administrative expenses		**(72,484)**	(61,392)
Other expenses		**(548)**	(1,169)
Finance costs	7	**(1,383)**	(882)
PROFIT BEFORE TAX	6	**124,316**	128,140
Income tax expense	10	**(30,220)**	(21,274)
PROFIT FOR THE YEAR		**94,096**	106,866
Attributable to:			
Owners of the parent		**94,417**	111,974
Non-controlling interests		**(321)**	(5,108)
		94,096	106,866
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK18.7 cents**	HK22.2 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
PROFIT FOR THE YEAR		**94,096**	106,866
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		**19,491**	(17,256)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	13	**3,690**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**23,181**	(17,256)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,277**	89,610
Attributable to:			
Owners of the parent		**119,293**	89,361
Non-controlling interests		**(2,016)**	249
		117,277	89,610

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,228,161**	1,337,298
Investment properties	14	**1,146,947**	951,568
Prepaid land lease payments	15	**12,893**	1,075
Properties for development	16	**31,401**	32,074
Deposits	19	**–**	33,534
Total non-current assets		**2,419,402**	2,355,549
CURRENT ASSETS			
Inventories	17	**63,264**	68,721
Trade receivables	18	**37,077**	31,375
Prepayments, deposits and other receivables	19	**47,178**	10,334
Equity investments at fair value through profit or loss	20	**59**	58
Cash and cash equivalents	21	**198,434**	208,984
Total current assets		**346,012**	319,472
CURRENT LIABILITIES			
Trade payables	22	**7,226**	5,896
Other payables and accruals	23	**139,258**	138,625
Due to a director	24	**–**	516
Due to a related company	25	**–**	4,380
Interest-bearing bank and other borrowings	26	**60,538**	44,025
Tax payable		**21,769**	20,825
Total current liabilities		**228,791**	214,267
NET CURRENT ASSETS		**117,221**	105,205
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,536,623**	2,460,754

Consolidated Statement of Financial Position

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,536,623**	2,460,754
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	26	**971**	1,509
Rental deposits		**24,567**	13,960
Provisions	28	**4,101**	4,157
Deferred tax liabilities	29	**206,279**	205,572
Total non-current liabilities		**235,918**	225,198
Net assets		**2,300,705**	2,235,556
EQUITY			
Equity attributable to owners of the parent			
Issued capital	30	**5,053**	5,053
Reserves	31	**2,325,629**	2,261,919
		2,330,682	2,266,972
Non-controlling interests		**(29,977)**	(31,416)
Total equity		**2,300,705**	2,235,556

Cheng Cheung
Director

Luk Sze Wan, Monsie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2017

	Notes	Attributable to owners of the parent								Non-controlling interests HK$'000	Total equity HK$'000
		Issued capital HK$'000 (note 30)	Share premium account HK$'000	Contributed surplus HK$'000 (note 31(b))	Capital redemption reserve HK$'000 (note 31(c))	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000		
At 1 January 2016		5,053	738,496	255,857	703	20,483	(461,706)	1,669,255	2,228,141	(31,665)	2,196,476
Profit/(loss) for the year		–	–	–	–	–	–	111,974	111,974	(5,108)	106,866
Other comprehensive income/(loss) for the year:											
Exchange differences related to foreign operations		–	–	–	–	–	(22,613)	–	(22,613)	5,357	(17,256)
Total comprehensive income/(loss) for the year		–	–	–	–	–	(22,613)	111,974	89,361	249	89,610
2015 final dividend		–	–	(30,318)	–	–	–	–	(30,318)	–	(30,318)
2016 interim dividend	11	–	–	(20,212)	–	–	–	–	(20,212)	–	(20,212)
At 31 December 2016		5,053	738,496*	205,327*	703*	20,483*	(484,319)*	1,781,229*	2,266,972	(31,416)	2,235,556
At 1 January 2017		**5,053**	**738,496**	**205,327**	**703**	**20,483**	**(484,319)**	**1,781,229**	**2,266,972**	**(31,416)**	**2,235,556**
Profit/(loss) for the year		**-**	**-**	**-**	**-**	**-**	**-**	**94,417**	**94,417**	**(321)**	**94,096**
Other comprehensive income/(loss) for the year:											
Gain on property revaluation		**-**	**-**	**-**	**-**	**3,690**	**-**	**-**	**3,690**	**-**	**3,690**
Exchange differences related to foreign operations		**-**	**-**	**-**	**-**	**-**	**21,186**	**-**	**21,186**	**(1,695)**	**19,491**
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**-**	**3,690**	**21,186**	**94,417**	**119,293**	**(2,016)**	**117,277**
Disposal of subsidiaries	32(a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,455**	**3,455**
2016 final dividend		**-**	**-**	**(30,318)**	**-**	**-**	**-**	**-**	**(30,318)**	**-**	**(30,318)**
2017 interim dividend	11	**-**	**-**	**-**	**-**	**-**	**-**	**(25,265)**	**(25,265)**	**-**	**(25,265)**
At 31 December 2017		**5,053**	**738,496***	**175,009***	**703***	**24,173***	**(463,133)***	**1,850,381***	**2,330,682**	**(29,977)**	**2,300,705**

* These reserve accounts comprise the consolidated reserves of HK$2,325,629,000 (2016: HK$2,261,919,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**124,316**	128,140
Adjustments for:			
Finance costs	7	**1,383**	882
Interest income	5	**(5,440)**	(5,051)
Fair value gains on investment properties, net	14	**(34,272)**	(9,240)
Loss on deregistration of subsidiaries	6	**–**	31
Gain on disposal of subsidiaries	5	**(740)**	–
Loss/(gain) on disposal of items of property, plant and equipment, net	6	**108**	(561)
Depreciation	6	**55,883**	45,746
Amortisation of properties for development		**959**	–
Amortisation of prepaid land lease payments	6	**1,435**	2,829
Impairment of trade receivables	6	**181**	790
Write-off of inventories	6	**–**	305
		143,813	163,871
Decrease in inventories		**6,167**	1,262
Decrease/(increase) in trade receivables		**(5,572)**	712
Decrease/(increase) in prepayments, deposits and other receivables		**(3,789)**	3,673
Increase/(decrease) in trade payables		**1,277**	(2,982)
Increase/(decrease) in other payables and accruals		**(671)**	33,124
Decrease in an amount due to a related company		**–**	(1)
Increase/(decrease) in rental deposits		**10,465**	(3,350)
Decrease in provisions		**(67)**	(334)
Cash generated from operations		**151,623**	195,975
Interest paid		**(1,288)**	(782)
Interest element of finance lease rental payments		**(95)**	(92)
Taxes paid		**(27,244)**	(29,484)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**122,996**	165,617

	Notes	2017 HK$'000	2016 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**122,996**	165,617
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**5,440**	5,016
Decrease/(increase) in time deposits with original maturity of over three months when acquired		**(2,454)**	49,713
Purchases of items of property, plant and equipment		**(90,287)**	(220,457)
Purchases of equity investments at fair value through profit or loss		**–**	(58)
Proceed from disposal of items of property, plant and equipment		**3,916**	561
Prepayment of land lease payments		**(12,347)**	–
Disposal of subsidiaries	32(a)	**(185)**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(95,917)**	(165,225)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**90,000**	75,378
Repayment of bank loans		**(73,515)**	(56,472)
Capital element of finance lease rental payments		**(510)**	353
Increase/(decrease) in an amount due to a director		**(516)**	470
Dividends paid		**(55,583)**	(50,530)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(40,124)**	(30,801)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(13,045)**	(30,409)
Cash and cash equivalents at beginning of year		**164,309**	199,989
Effect of foreign exchange rate changes, net		**41**	(5,271)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**151,305**	164,309
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**116,042**	106,258
Non-pledged time deposits with original maturity of less than three months when acquired		**35,263**	58,051
Non-pledged time deposits with original maturity of over three months when acquired		**47,129**	44,675
Cash and cash equivalents as stated in the statement of financial position	21	**198,434**	208,984
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(47,129)**	(44,675)
Cash and cash equivalents as stated in the statement of cash flows		**151,305**	164,309

1. CORPORATE AND GROUP 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") were involved in the following principal activities:

- manufacture and sale of cement
- property investment and provision of property management and related services
- property development
- sale of electronic products
- hotel operation (newly commenced during the year)

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Holdings (BVI) Limited	British Virgin Islands/Hong Kong	US$2	100	-	Investment holding
Luks Industrial Company Limited	Hong Kong	HK$168,048,482	-	100	Property investment and investment holding
Luks Industrial (Bao An) Company Limited*	People's Republic of China ("PRC")	HK$39,000,000	-	100	Property investment
Luks Vietnam Company Limited	British Virgin Islands/Hong Kong	US$3	100	-	Investment holding
Luks Timber (Vietnam) Limited	Vietnam	VND15,715,698,000	-	100	Manufacture and sale of plywood
Luks Cement Company Limited	British Virgin Islands/Hong Kong	US$50,000	-	100	Investment holding
Luks Cement (Vietnam) Limited	Vietnam	VND751,329,773,000	-	100	Manufacture and sale of cement
Luks Land Company Limited	British Virgin Islands/Hong Kong	US$100	-	100	Investment holding
Luks Land (Vietnam) Limited	Vietnam	VND193,639,051,000	-	100	Property investment and management

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Land Development Limited	British Virgin Islands/Hong Kong	US$1	-	100	Investment holding
Luks Land Investments Limited	British Virgin Islands/Hong Kong	US$1	-	100	Investment holding
Luks New Property Solution Company Limited	Mongolia	US$100,000	-	80	Property development
Thanh Phat Agricultural Product and Plastic Company Limited	Vietnam	VND35,000,000,000	-	85	Property development

* 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.

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 (the "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 equity investments at fair value through profit or loss, which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand ("HK$'000") 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 2017. 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).

2.1 BASIS OF PREPARATION (continued)

Basis of consolidation (continued)

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 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 above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, 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 revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in note 32(b) to the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Annual Improvements 2015-2017 Cycle	Amendments to a number of HKFRSs[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below:

The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards and the transitional provisions and policy options finally adopted.

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 January 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. During 2017, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

In general, the directors of the Company anticipate the application of the expected loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 January 2018 would be slightly increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade receivables. Such further impairment recognised under expected credit loss model would reduce the opening retained earnings and increase the deferred tax assets as at 1 January 2018.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2018.

The directors of the Company have assessed the impact on application of HKFRS 15 and anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 January 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted. As disclosed in note 33(b) to the financial statements, at 31 December 2017, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of HK$17,602,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 an associate and a joint venture 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.

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 assets 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 measure 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 components 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 of the acquiree.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. 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 of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets (continued)

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

(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);

  (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); and

  (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the 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.

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	10% – 20%
Motor vehicles	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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

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 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 equity investments at fair value through profit or loss.

Subsequent measurement

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

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 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.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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 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 a director and a related company, rental deposits and interest-bearing bank and other borrowings.

Subsequent measurement

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

Loans and borrowings

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement (continued)

Loans and borrowings (continued)

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.

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 a 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 consolidated 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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 and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

(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;

(d) property management fee and related service income, when the related management and related services have been provided; and

(e) hotel operation income, in the period in which such services are rendered.

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. Proposed final dividends are disclosed in the notes to the financial statements.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional 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 or loss.

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 Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or 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. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for these portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

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.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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, in the absence of comparable market transactions, discounted cash flow projections based on estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows of the asset, 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

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;

(b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2017 was HK$1,146,947,000 (2016: HK$951,568,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five 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 and provision of property management and related services;

(c) the property development segment represents the Group's development and sale of properties;

(d) the hotel operation segment represents the Group's hotel business (newly commenced during the year); and

(e) the corporate and others segment represents corporate income and expense items and the Group's sale of electronic products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income is excluded from such measurement.

During the year, the Group commenced its hotel business upon the completion of the construction of its hotel property in Hong Kong and management presented the results, assets and liabilities of the hotel operation in a separate reportable segment. Accordingly, comparative figures of the results, assets and liabilities of the hotel operation segment, which was included as part of the property investment segment in prior years, have been restated to conform to the current year's presentation.

4. OPERATING SEGMENT INFORMATION (continued)

(a) Business segments

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
Year ended 31 December	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Segment revenue:												
Sales to external customers	**511,166**	501,620	**119,525**	110,792	**23,633**	–	**–**	–	**10,748**	10,273	**665,072**	622,685
Other income and gains	**25**	828	**108**	6,731	**–**	–	**–**	–	**740**	478	**873**	8,037
											665,945	630,722
Segment results	**49,842**	55,957	**123,728**	99,271	**(21,532)**	(597)	**(2,921)**	(1,776)	**(30,241)**	(29,766)	**118,876**	123,089
Reconciliation:												
Interest income											**5,440**	5,051
Profit before tax											**124,316**	128,140
Income tax expense	**(10,787)**	(11,233)	**(19,362)**	(10,025)	**–**	–	**–**	–	**(71)**	(16)	**(30,220)**	(21,274)
Profit for the year											**94,096**	106,866
Segment assets	**727,931**	740,751	**1,298,766**	1,081,663	**648,866**	714,493	**66,717**	67,885	**23,134**	70,229	**2,765,414**	2,675,021
Total assets											**2,765,414**	2,675,021
Segment liabilities	**83,320**	79,340	**231,352**	232,373	**119,990**	93,134	**14,754**	14,246	**15,293**	20,372	**464,709**	439,465
Total liabilities											**464,709**	439,465
Other segment information:												
Depreciation	**41,304**	43,715	**1,914**	1,658	**12,333**	–	**281**	316	**51**	57	**55,883**	45,746
Capital expenditure	**8,040**	8,594	**2,881**	2,584	**79,361**	209,201	**–**	–	**5**	78	**90,287**	220,457
Impairment of trade receivables	**181**	695	**–**	95	**–**	–	**–**	–	**–**	–	**181**	790
Fair value gains on investment properties, net	**–**	–	**34,272**	9,240	**–**	–	**–**	–	**–**	–	**34,272**	9,240
Loss/(gain) on disposal of items of property, plant and equipment, net	**576**	(63)	**(468)**	(89)	**–**	–	**–**	–	**–**	(409)	**108**	(561)
Loss on deregistration of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**–**	31	**–**	31
Gain on disposal of subsidiaries	**–**	–	**–**	–	**–**	–	**–**	–	**740**	–	**740**	–
Write-off of inventories	**–**	305	**–**	–	**–**	–	**–**	–	**–**	–	**–**	305

4. OPERATING SEGMENT INFORMATION (continued)

(b) Geographical information

(a) Revenue from external customers

	2017 **HK$'000**	2016 HK$'000
Vietnam	**617,857**	600,094
Hong Kong	**39,305**	14,861
PRC	**7,910**	7,730
	665,072	622,685

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

(b) Non-current assets

	2017 **HK$'000**	2016 HK$'000
Vietnam	**1,389,233**	1,409,651
Hong Kong	**1,000,356**	913,887
PRC	**29,656**	31,588
Mongolia	**157**	423
	2,419,402	2,355,549

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

Information about a major customer

Revenue of HK$136,867,000 (2016: HK$122,364,000) was derived from sales by the cement products segment to a single customer.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts; gross rental income received and receivable from investment properties; and the value of services rendered during the year.

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

	Note	2017 HK$'000	2016 HK$'000
Revenue			
Sale of cement		**511,166**	501,620
Gross rental income		**99,418**	92,530
Property management and related service income		**20,107**	18,262
Hotel operation income		**23,633**	–
Sale of electronic products		**10,748**	10,273
		665,072	622,685
Other income and gains			
Interest income		**5,440**	5,051
Income from sale of scrap materials		**–**	470
Gain on disposal of items of property, plant and equipment		**–**	561
Gain on disposal of subsidiaries	32(a)	**740**	–
Others		**133**	7,006
		6,313	13,088

6. PROFIT BEFORE TAX

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

	Notes	2017 HK$'000	2016 HK$'000
Cost of inventories sold		**380,626**	388,217
Cost of services rendered		**38,941**	2,598
Depreciation**	13	**55,883**	45,746
Amortisation of prepaid land lease payments	15	**1,435**	2,829
Auditor's remuneration		**2,248**	2,030
Minimum operating lease payments		**919**	977
Employee benefit expense (excluding directors' remuneration (note 8))**:			
Wages and salaries		**63,627**	46,089
Pension scheme contributions		**1,008**	589
		64,635	46,678
Foreign exchange differences, net*		**259**	43
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**11,539**	11,577
Impairment of trade receivables*	18	**181**	790
Loss on deregistration of subsidiaries*		**–**	31
Loss/(gain) on disposal of items of property, plant and equipment, net		**108**	(561)
Write-off of inventories*		**–**	305

* The expense/loss items of these items are included in "other expenses" on the face of the consolidated statement of profit or loss.

** For the year ended 31 December 2017, depreciation and employee benefit expense of HK$87,936,000 (2016: HK$64,991,000) are included in "cost of sales" on the face of the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Interest on bank loans	**1,288**	790
Interest on finance leases	**95**	92
	1,383	882

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, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**825**	850
Other emoluments:		
Salaries, allowances and benefits in kind	**11,437**	11,611
Discretionary bonuses	**181**	281
Pension scheme contributions	**72**	72
	11,690	11,964
	12,515	12,814

(a) Independent non-executive directors

	2017 HK$'000	2016 HK$'000
Liang Fang	**100**	100
Liu Li Yuan	**100**	100
Lam Chi Kuen*	**100**	100
Chan Kam Fuk**	**–**	25
	300	325

* Mr. Lam Chi Kuen was appointed as an independent non-executive director of the Company on 15 September 2016.

** Mr. Chan Kam Fuk has retired as an independent non-executive director of the Company with effect from 15 September 2016.

8. DIRECTORS' REMUNERATION (continued)

(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
2017					
Cheng Cheung	**100**	**2,990**	**–**	**–**	**3,090**
Luk Yan	**100**	**2,362**	**–**	**18**	**2,480**
Luk Fung	**125**	**2,689**	**181**	**18**	**3,013**
Fan Chiu Tat, Martin	**100**	**2,374**	**–**	**18**	**2,492**
Luk Sze Wan, Monsie	**100**	**1,022**	**–**	**18**	**1,140**
	525	**11,437**	**181**	**72**	**12,215**
2016					
Cheng Cheung	100	2,990	–	–	3,090
Luk Yan	100	2,637	281	18	3,036
Luk Fung	125	2,588	–	18	2,731
Fan Chiu Tat, Martin	100	2,374	–	18	2,492
Luk Sze Wan, Monsie	100	1,022	–	18	1,140
	525	11,611	281	72	12,489

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2016: Nil).

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2016: 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% (2016: 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.

	Note	**2017** **HK$'000**	2016 HK$'000
Current charge for the year			
Hong Kong		**71**	79
Elsewhere		**27,770**	26,385
Underprovision/(overprovision) in prior years			
Hong Kong		**–**	53
Elsewhere		**(52)**	(9,503)
Deferred	29	**2,431**	4,260
Total tax charge for the year		**30,220**	21,274

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 income tax rates applicable to these subsidiaries are 15% and 20%.

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:

	2017 **HK$'000**	2016 HK$'000
Profit before tax	**124,316**	128,140
Tax at the statutory tax rates	**26,410**	26,822
Lower tax rates for specific provinces or enacted by local authority	**(1,235)**	(1,301)
Adjustments in respect of current tax of previous periods	**(52)**	(9,450)
Temporary difference not recognised	**(4,191)**	–
Income not subject to tax	**(8,398)**	(3,829)
Expenses not deductible for tax	**5,826**	4,584
Tax losses not recognised	**11,860**	4,448
	30,220	21,274

11. DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim – HK5 cents (2016: HK4 cents) per ordinary share	**25,265**	20,212
Final proposed subsequent to the reporting period		
– HK6 cents (2016: HK6 cents) per ordinary share	**30,318**	30,318
	55,583	50,530

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.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the 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 505,297,418 (2016: 505,297,418) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2017 and 2016.

13. PROPERTY, PLANT AND EQUIPMENT

31 December 2017	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 31 December 2016 and at 1 January 2017:							
Cost	70,243	3,471	936,063	8,449	31,196	729,442	1,778,864
Accumulated depreciation and impairment	(36,619)	(2,228)	(380,738)	(6,891)	(15,090)	–	(441,566)
Net carrying amount	33,624	1,243	555,325	1,558	16,106	729,442	1,337,298
At 1 January 2017, net of accumulated depreciation	33,624	1,243	555,325	1,558	16,106	729,442	1,337,298
Additions	–	2,244	578	7,263	3,650	76,552	90,287
Transfers, net	625,602	–	–	13,722	–	(790,324)	(151,000)
Disposals	–	–	(3,765)	–	(259)	–	(4,024)
Depreciation provided during the year	(11,512)	(284)	(39,062)	(1,867)	(3,158)	–	(55,883)
Surplus on revaluation	–	–	–	–	–	3,690	3,690
Exchange realignment	1,423	–	6,047	14	141	168	7,793
At 31 December 2017, net of accumulated depreciation and impairment	649,137	3,203	519,123	20,690	16,480	19,528	1,228,161
At 31 December 2017:							
Cost	696,093	5,715	939,620	29,503	32,294	19,528	1,722,753
Accumulated depreciation and impairment	(46,956)	(2,512)	(420,497)	(8,813)	(15,814)	–	(494,592)
Net carrying amount	649,137	3,203	519,123	20,690	16,480	19,528	1,228,161

13. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2016	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
At 1 January 2016:							
Cost	70,534	2,605	950,534	8,544	28,831	515,809	1,576,857
Accumulated depreciation and impairment	(35,992)	(1,954)	(348,356)	(6,901)	(15,046)	–	(408,249)
Net carrying amount	34,542	651	602,178	1,643	13,785	515,809	1,168,608
At 1 January 2016, net of accumulated depreciation	34,542	651	602,178	1,643	13,785	515,809	1,168,608
Additions	–	868	–	127	5,621	213,841	220,457
Depreciation provided during the year	(802)	(275)	(41,374)	(191)	(3,104)	–	(45,746)
Exchange realignment	(116)	(1)	(5,479)	(21)	(196)	(208)	(6,021)
At 31 December 2016, net of accumulated depreciation and impairment	33,624	1,243	555,325	1,558	16,106	729,442	1,337,298
At 31 December 2016:							
Cost	70,243	3,471	936,063	8,449	31,196	729,442	1,778,864
Accumulated depreciation and impairment	(36,619)	(2,228)	(380,738)	(6,891)	(15,090)	–	(441,566)
Net carrying amount	33,624	1,243	555,325	1,558	16,106	729,442	1,337,298

At 31 December 2017, certain of the Group's leasehold land and buildings with a net carrying amount of HK$614,998,000 was pledged to secure general banking facilities granted to the Group (note 26).

As at 31 December 2016, a hotel property under construction situated in Hong Kong included in construction in progress with an aggregate carrying amount of HK$714,493,000 was pledged to secure general banking facilities granted to the Group (note 26).

14. INVESTMENT PROPERTIES

	Note	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January		**951,568**	953,847
Transfers from property, plant and equipment	13	**151,000**	–
Net gain from a fair value adjustment		**34,272**	9,240
Exchange realignment		**10,107**	(11,519)
Carrying amount at 31 December		**1,146,947**	951,568

For the years ended 31 December 2017 and 2016, the fair value measurements of all investment properties of the Group are categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

The investment properties situated in Hong Kong and PRC were revalued on 31 December 2017 based on valuations performed by BMI Appraisals Limited and the investment properties situated in Vietnam were revalued on 31 December 2017 based on valuations performed by Jones Lang Lasalle Vietnam Company Limited. The investment properties are leased to third parties under operating leases, further details of which are set out in note 33(a) to the financial statements.

As 31 December 2017, certain investment properties with an aggregate fair value of HK$153,000,000 (2016: Nil) were pledged to secure general banking facilities granted to the Group (note 26).

Further particulars of the Group's investment properties are set out on page 104.

Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties using:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2017 HK$'000	2016 HK$'000
Recurring fair value measurement for:		
Industrial properties – Hong Kong and PRC	**172,300**	164,355
Commercial properties – Hong Kong	**153,000**	–
Residential properties – PRC	**29,656**	26,733
Commercial properties – Vietnam	**791,991**	760,480
	1,146,947	951,568

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

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 (2016: Nil).

The valuations of the Group's investment properties in Hong Kong and PRC were based on the income capitalisation method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties in order to arrive at the fair value.

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 the value.

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

	Valuation techniques	Significant unobservable input(s)	Range or weighted average	
			2017	2016
Hong Kong - Industrial properties	Income capitalisation method	Estimated rental value (per square foot and per month)	**HK$12 to HK$13**	HK$12 to HK$14
		Reversionary yield	**2.8% to 4.3%**	3.2% to 4.7%
Hong Kong - A commercial property	Income capitalisation method	Estimated rental value (per square foot and per month)	**HK$19 to HK$59**	N/A
		Reversionary yield	**5.4%**	N/A
PRC - An industrial property	Income capitalisation method	Estimated rental value (per square meter and per month)	**N/A**	HK$29
		Reversionary yield	**N/A**	9.5%
PRC - Residential properties	Income capitalisation method and direct comparison method	Estimated rental value (per square meter and per month)	**HK$81**	HK$21
		Reversionary yield	**6.0%**	6.0%
		Price per square meter	**N/A**	HK$11,587
Vietnam - Commercial properties	Discounted cash flow method	Discount rate	**13%**	13%
		Estimated rental value (per square meter and per month)	**HK$258 to HK$344**	HK$248 to HK$302
Vietnam - Car parks	Discounted cash flow method	Discount rate	**13%**	13%
		Estimated rental value (per car park and per month)	**HK$188 to HK$1,406**	HK$186 to HK$1,396

14. INVESTMENT PROPERTIES (continued)

Fair value hierarchy (continued)

A significant increase/(decrease) in the estimated rental value per square meter/foot or per car park 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 reversionary 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/foot or per car park is accompanied by an opposite change in the discount rate or the reversionary yield.

15. PREPAID LAND LEASE PAYMENTS

	Note	2017 HK$'000	2016 HK$'000
Carrying amount at 1 January		**2,441**	5,282
Additions		**12,347**	–
Recognised during the year	6	**(1,435)**	(2,829)
Exchange realignment		**58**	(12)
Carrying amount at 31 December		**13,411**	2,441
Current portion included in prepayments, deposits and other receivables		**(518)**	(1,366)
Non-current portion		**12,893**	1,075

16. PROPERTIES FOR DEVELOPMENT

	2017 HK$'000	2016 HK$'000
Situated in Vietnam	**31,401**	32,074
Situated in Mongolia	**39,152**	37,887
	70,553	69,961
Impairment	**(39,152)**	(37,887)
	31,401	32,074

17. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	**21,261**	21,137
Consumables	**22,364**	24,043
Work in progress	**7,263**	9,577
Finished goods	**12,376**	13,964
	63,264	68,721

18. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**40,702**	34,784
Impairment	**(3,625)**	(3,409)
	37,077	31,375

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

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

An ageing 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:

	2017 HK$'000	2016 HK$'000
0 to 30 days	**32,215**	20,801
31 to 60 days	**3,615**	5,701
61 to 90 days	**514**	1,126
91 to 120 days	**173**	756
Over 120 days	**560**	2,991
	37,077	31,375

18. TRADE RECEIVABLES (continued)

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

	Note	2017 HK$'000	2016 HK$'000
At 1 January		**3,409**	2,665
Impairment losses recognised	6	**181**	790
Exchange realignment		**35**	(46)
At 31 December		**3,625**	3,409

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

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**18,375**	17,490
Less than 3 months past due	**17,970**	10,139
Over 3 months past due	**732**	3,746
	37,077	31,375

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.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**5,013**	2,921
Deposits	**96,977**	128,593
Other receivables	**37,760**	3,938
	139,750	135,452
Impairment of prepayments, deposits and other receivables	**(92,572)**	(91,584)
	47,178	43,868
Non-current portion	**–**	(33,534)
Current portion	**47,178**	10,334

20. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 HK$'000	2016 HK$'000
Listed equity investments – overseas	**59**	58

The above equity investments at 31 December 2017 and 2016 were classified as held for trading and were, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss.

The fair values of listed equity investments are measured based on quoted market prices and categorised within Level 1 of the fair value hierarchy.

21. CASH AND CASH EQUIVALENTS

	2017 **HK$'000**	2016 HK$'000
Cash and bank balances	**116,042**	106,258
Time deposits	**82,392**	102,726
Cash and cash equivalents	**198,434**	208,984

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$14,668,000 (2016: HK$13,330,000) and HK$121,936,000 (2016: HK$113,312,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under PRC'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 a year 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.

22. TRADE PAYABLES

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

	2017 **HK$'000**	2016 HK$'000
0 to 30 days	**6,995**	4,015
31 to 60 days	**3**	1,332
61 to 90 days	**–**	25
91 to 120 days	**–**	22
Over 120 days	**228**	502
	7,226	5,896

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

23. OTHER PAYABLES AND ACCRUALS

	2017 HK$'000	2016 HK$'000
Receipts in advance	**12,817**	15,075
Deposits received	**15,653**	21,318
Accruals	**74,992**	69,958
Advances from non-controlling shareholders of certain subsidiaries	**14,125**	13,669
Other payables	**21,671**	18,605
	139,258	138,625

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

24. DUE TO A DIRECTOR

As at 31 December 2016, the amount due to a director was unsecured, interest-free and had no fixed terms of repayment.

25. DUE TO A RELATED COMPANY

As at 31 December 2016, the amount was due to a company controlled by Mr. Luk Fung and was unsecured, interest-free and repayable on demand.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

		2017			2016		
	Note	Effective interest rate (%)	Maturity	HK$'000	Effective interest rate (%)	Maturity	HK$'000
Current							
Finance lease payables	27		**2018**	**538**		2017	510
Bank loan – secured		**1.86 – 2.69**	**on demand**	**10,000**	1.79 – 2.25	on demand	40,000
Long term bank loans repayable on demand-secured		**1.86 – 2.69**	**on demand**	**50,000**	2.73 – 3.25	on demand	3,515
				60,538			44,025
Non-current							
Finance lease payables	27		**2020 – 2021**	**971**		2020 – 2021	1,509
				61,509			45,534

	2017 HK$'000	2016 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note)	**60,000**	43,515
Other borrowings repayable:		
Within one year	**538**	510
In the second year	**567**	538
In the third to fifth years, inclusive	**404**	971
	1,509	2,019
	61,509	45,534

Note: As further explained in note 38 to the financial statements, the Group's term loans with an aggregate amount of HK$39,583,000 (2016: Nil) containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

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

Note: (continued)

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are:

	2017 HK$'000	2016 HK$'000
Within one year or on demand	**20,417**	43,515
In the second year	**12,500**	–
In the third to fifth years, inclusive	**27,083**	–
	60,000	43,515

Notes:

(a) At 31 December 2017, certain of the Group's leasehold land and buildings with a net carrying amount of HK$614,998,000 and certain of the Group's investment properties and certain rental income generated therefrom with a fair value of HK$153,000,000 were pledged to secure the above bank loans and general banking facilities granted to the Group.

At 31 December 2016, a hotel property under construction situated in Hong Kong included in construction in progress with an aggregate carrying amount of HK$714,493,000 was pledged to secure the above bank loans and general banking facilities granted to the Group.

(b) At 31 December 2017, the secured bank loans were denominated in Hong Kong dollars with an aggregate amount of HK$60,000,000 (2016: HK$43,515,000).

(c) As at 31 December 2017, the Company has guaranteed the Group's interest-bearing bank loans and certain general banking facilities up to HK$180,000,000 (2016: HK$180,000,000).

(d) Other interest rate information:

	2017 HK$'000	2016 HK$'000
Fixed rate:		
Finance lease payables	**1,509**	2,019
Floating rate:		
Bank loans – secured	**60,000**	43,515
	61,509	45,534

(e) The carrying amounts of the interest-bearing bank and other borrowings of the Group are approximate to their fair values.

27. FINANCE LEASE PAYABLES

The Group leases certain motor vehicles for administrative use. These leases are classified as finance leases and have remaining lease terms from three to four years.

At 31 December 2017, the total future minimum lease payments under finance leases and their present values were as follows:

		Minimum lease payments		Present value of minimum lease payments	
	Note	**2017 HK$'000**	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Amounts payable:					
Within one year		**604**	604	**538**	510
In the second year		**604**	604	**567**	538
In the third to fifth years, inclusive		**417**	1,021	**404**	971
Total minimum finance lease payments		**1,625**	2,229	**1,509**	2,019
Future finance charges		**(116)**	(210)		
Total net finance lease payables		**1,509**	2,019		
Portion classified as current liabilities	26	**(538)**	(510)		
Non-current portion	26	**971**	1,509		

28. PROVISIONS

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2017	3,135	1,022	4,157
Additional provision	1	–	1
Amount utilised during the year	(68)	–	(68)
Exchange realignment	–	11	11
At 31 December 2017	3,068	1,033	4,101

28. PROVISIONS (continued)

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.

29. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Note	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2016		42,279	165,817	208,096
Charged to the statement of profit or loss during the year	10	3,235	1,744	4,979
Exchange realignment		(563)	(2,042)	(2,605)
At 31 December 2016 and 1 January 2017		44,951	165,519	210,470
Charged to the statement of profit or loss during the year	10	3,183	139	3,322
Exchange realignment		471	(2,137)	(1,666)
At 31 December 2017		48,605	163,521	212,126

29. DEFERRED TAX (continued)

Deferred tax assets

	Note	Provision and accruals HK$'000
At 1 January 2016		4,244
Credited to the statement of profit or loss during the year	10	719
Exchange realignment		(65)
At 31 December 2016 and 1 January 2017		4,898
Credited to the statement of profit or loss during the year	10	891
Exchange realignment		58
At 31 December 2017		5,847

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:

	2017 HK$'000	2016 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**206,279**	205,572

The Group has tax losses arising in Hong Kong, Vietnam and Mongolia of HK$622,935,000 (2016: HK$650,643,000), HK$12,981,000 (2016: HK$15,505,000) and Nil (2016: HK$8,030,000), 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 the Company and its 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.

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 PRC and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

At 31 December 2017, the Group did not have any unremitted earnings that are subject to withholding taxes of its subsidiaries established in PRC.

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

30. SHARE CAPITAL

	2017 HK$'000	2016 HK$'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

The Company's issued share capital is as follows:

	Number of shares in issue	Issued capital HK$'000
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	**505,297,418**	5,053

31. 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 43 of these financial statements.

(b) Contributed surplus

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.

32. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Disposal of subsidiaries

	Note	2017 HK$'000
Net liabilities disposed of:		
Cash and bank balances		**185**
Due to a related company		**(4,380)**
Non-controlling interests		**3,455**
Gain on disposal of subsidiaries	5	**(740)**

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2017 HK$'000
Cash consideration	**–**
Cash and bank balances disposed of	**(185)**
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(185)**

(b) Change in liability arising from financing activities

	Interest-bearing bank loans HK$'000	Finance lease payables HK$'000	Total HK$'000
At 1 January 2017	43,515	2,019	45,534
Changes from financing cash flows	16,485	(510)	15,975
At 31 December 2017	60,000	1,509	61,509

33. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to seven 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 2017, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**101,741**	75,874
In the second to fifth years, inclusive	**99,310**	46,001
After five years	**12**	2,407
	201,063	124,282

(b) As lessee

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

At 31 December 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2017 **HK$'000**	2016 HK$'000
Within one year	**851**	825
In the second to fifth years, inclusive	**3,220**	3,301
After five years	**13,531**	13,703
	17,602	17,829

34. COMMITMENTS

In addition to the operating lease arrangements detailed in note 33(b) above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Land	**189,426**	187,498
Property, plant and equipment	**–**	41,113
	189,426	228,611

35. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transaction with a related party during the year:

	2017 HK$'000
Gain on disposal of subsidiaries	**740**

During the year, the Group disposed of certain subsidiaries to a related company controlled by Mr. Luk Fung for a consideration of HK$1. Further details of the disposal are set out in note 32(a).

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

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**12,143**	12,417
Post-employment benefits	**72**	72
Total compensation paid to key management personnel	**12,215**	12,489

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

36. FINANCIAL INSTRUMENTS BY CATEGORY

Except for equity investments at fair value through profit or loss, which is measured at fair value, other financial assets and liabilities of the Group as at 31 December 2017 and 2016 were loans and receivables and financial liabilities stated at amortised cost respectively.

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments, other than equity investments 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, an amount due to a director, interest-bearing bank and other borrowings and an amount due to related party approximate to their carrying amounts largely due to the short term maturities of these instruments.

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 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 2017 was assessed to be insignificant.

38. 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.

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

Interest rate risk

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

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
2017		
Hong Kong dollar	**100**	**(600)**
Hong Kong dollar	**(100)**	**600**
2016		
Hong Kong dollar	100	(435)
Hong Kong dollar	(100)	435

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, there is no hedging instruments available. 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 to repay loans denominated in United States dollar ("US$"), and in particular, the loan due to the parent company. In addition, most of the expenditures of the cement plant are in VND. Management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency risk should the need arise.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the VND 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 VND rate %	Increase/ (decrease) in profit before tax HK$'000
2017		
If US$ weakens against VND	**1**	**647**
If US$ strengthens against VND	**(1)**	**(647)**
2016		
If US$ weakens against VND	1	648
If US$ strengthens against VND	(1)	(648)

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 and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

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:

	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
As at 31 December 2017					
Trade payables	**7,226**	**–**	**–**	**–**	**7,226**
Financial liabilities included in other payables and accruals	**126,441**	**–**	**–**	**–**	**126,441**
Interest-bearing bank and other borrowings (note)	**62,113**	**604**	**417**	**–**	**63,134**
Rental deposits	**–**	**10,088**	**14,278**	**201**	**24,567**
	195,780	**10,692**	**14,695**	**201**	**221,368**

	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
As at 31 December 2016					
Trade payables	5,896	–	–	–	5,896
Financial liabilities included in other payables and accruals	123,550	–	–	–	123,550
Due to a director	516	–	–	–	516
Due to a related company	4,380	–	–	–	4,380
Interest-bearing bank and other borrowings (note)	45,033	604	1,021	–	46,658
Rental deposits	–	8,866	3,806	1,288	13,960
	179,375	9,470	4,827	1,288	194,960

Liquidity risk (continued)

Note: Included in interest-bearing bank and other borrowings are certain term loans with an aggregate principal amounts of HK$50,000,000 (2016: HK$3,515,000). The loan agreements of these term loans contain a repayment on-demand clause giving the bank the unconditional right to call in the loan at any time and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	2017 HK$'000
Within one year or on demand	**11,656**
In the second year	**13,410**
In the third to fifth years, inclusive	**27,902**
	52,968

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 2017 and 2016.

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. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	**2017 HK$'000**	2016 HK$'000
Interest-bearing bank and other borrowings	26	**61,509**	45,534
Less: Cash and cash equivalents	21	**(198,434)**	(208,984)
Net debt		**(136,925)**	(163,450)
Total equity		**2,300,705**	2,235,556
Gearing ratio		**N/A**	N/A

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017	2016
	HK$'000	HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**128**	175
Investments in subsidiaries	**912,639**	390,921
Total non-current assets	**912,767**	391,096
CURRENT ASSET		
Cash and cash equivalents	**11,843**	18,377
Total current asset	**11,843**	18,377
CURRENT LIABILITIES		
Other payables and accruals	**5,009**	5,232
Due to a director	**–**	516
Total current liabilities	**5,009**	5,748
NET CURRENT ASSETS	**6,834**	12,629
TOTAL ASSETS LESS CURRENT LIABILITIES	**919,601**	403,725
NON-CURRENT LIABILITIES		
Provisions	**2,741**	2,809
Total non-current liabilities	**2,741**	2,809
Net assets	**916,860**	400,916
EQUITY		
Issued capital	**5,053**	5,053
Reserves (note)	**911,807**	395,863
Total equity	**916,860**	400,916

39. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Note	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Retained earnings/ accumulated losses HK$'000	Total HK$'000
At 1 January 2016		738,496	104,167	703	(481,434)	361,932
Total comprehensive income for the year		–	–	–	84,461	84,461
2015 final dividend		–	(30,318)	–	–	(30,318)
2016 interim dividend	11	–	(20,212)	–	–	(20,212)
At 31 December 2016 and 1 January 2017		738,496	53,637	703	(396,973)	395,863
Total comprehensive income for the year		–	–	–	571,527	571,527
2016 final dividend		–	(30,318)	–	–	(30,318)
2017 interim dividend	11	–	–	–	(25,265)	(25,265)
At 31 December 2017		738,496	23,319	703	149,289	911,807

40. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current year's presentation.

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2018.

Particulars of Investment Properties

31 December 2017

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, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
Flat A2, 3F., 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, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
Retail portion on G/F and 2/F, No. 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong	Retail shops for rental	Medium-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%

Particulars of Property for Development

31 December 2017

Location	Use	Site area (square metre)	Attributable interest of the Group
Thanh Phat Apartment Area 394 Ho Hoi Lam Street An Lac Ward Binh Tan District Ho Chi Minh City Vietnam	Residential	22,221	85%

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
PROFIT FOR THE YEAR	**94,096**	106,866	88,531	89,447	111,938
Attributable to:					
Owners of the parent	**94,417**	111,974	89,580	92,526	132,718
Non-controlling interests	**(321)**	(5,108)	(1,049)	(3,079)	(20,780)
	94,096	106,866	88,531	89,447	111,938

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,765,414**	2,675,021	2,605,521	2,748,855	2,798,576
TOTAL LIABILITIES	**(464,709)**	(439,465)	(409,045)	(482,451)	(550,434)
NON-CONTROLLING INTERESTS	**29,977**	31,416	31,665	30,575	32,893
	2,330,682	2,266,972	2,228,141	2,296,979	2,281,035