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 2018

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

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183 Queen's Road East
Hong Kong

Registered Office

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Hamilton HM 11
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Principal Place of Business

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Corporate Website

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Business Review and Outlook

In 2018, Vietnam's economy was booming with a GDP growth rate of 7.08%, which was a record high in eleven years. The number of visitors also reached a historical height during the year. Whereas, inflation rate was healthily controlled below 4%, and the annual trade surplus recorded US$7.2 billion. The economic momentum was strong and the economic growth was seen to be sustainable. Yet, due to the depreciation of the Renminbi, the Vietnamese Dong depreciated by about 2.1% against the US dollar in 2018.

Thanks to the positive economic performance of the Vietnamese economy, the Group's Saigon Trade Center performed well in its leasing business for the year 2018. However, the cement business performed poorly under the fierce competition in the cement market. The Group's hotel, PENTAHOTEL HONG KONG, TUEN MUN, situated in Hong Kong had commenced operations in mid-2017, achieved steady growth in 2018, bringing stable cash income to the Group during the year. In addition, the Group's profit for the year included the recovery of a deposit under other receivables that had been written off in the Group's accounts in early years, amounted to approximately HK$88 million.

For the year ended 31 December 2018, the Group's turnover was HK$723,805,000, representing an increase of approximately 8.8% as compared with HK$665,072,000 recorded in the previous year. The Group's turnover is mainly derived from the cement business, property investment business and hotel business. The turnover of the cement business was HK$509,673,000, representing a decrease of approximately 0.3% compared with the previous year, whereas the turnover of the property investment business was HK$133,023,000, representing an increase of approximately 11.3% as compared with the previous year, and the turnover from the hotel business was HK$69,171,000, comparing to HK$23,633,000 for the five months of operation in 2017, representing an increase of 192.7%.

The Group's consolidated net profit attributable to shareholders was HK$144,128,000 for the full year of 2018, which was an increase of approximately 52.7% compared with the net profit of HK$94,417,000 recorded in the previous year. Basic earnings per share for 2018 was 28.5 HK cents (2017: 18.7 HK cents).

Cement Business

2018 was a difficult year for the Group's cement plant operation. On one hand, it was under pressure from rising production costs. And on the other hand, the market was fiercely competitive, which made it impossible for the cement plant to increase its selling prices in order to make up for the costs increase. As a result, operating profit from the cement business decreased. The Group's cement operation recorded an after-tax profit for the year ended 31 December 2018 of HK$20,829,000, representing a decrease of approximately 47% compared with last year. Sales revenue was HK$509,673,000, which was similar to the same period last year.

In terms of sales volume, the Group's cement business recorded a total sales volume of cement and clinker of 1,559,000 tons, representing an increase of approximately 4.8% compared to the 1,487,000 tons recorded last year. The increase was mainly attributable to the increase in clinker sales. In 2018, Vietnam's domestic cement sales volume was 65.08 million tons, an increase of approximately 9% compared with 2017. The overall sales volume together with exported cement of Vietnam reached 96.73 million tons, in which the cement export increased by 55% compared with the previous year. The increase in export was mainly due to the Chinese government's restriction on cement output of the cement plants in China, which ended up in shortage of cement supply that needed import to fill up the gap.

Chairman's Statement

During the year, the production costs of the Group's cement plant increased, especially the price of coal having increased by 8%, and the electricity price having increased by 4%, resulting in an increase in production cost of per ton cement manufactured. Other costs such as wages and maintenance cost rose as well. On the other hand, the decline in the quality of coal during the year led to instability in cement production process and an increase in production cost per ton of cement manufacturing.

In 2018, in terms of environmental protection, the Group's cement plant completed the installation of an on-line automatic gas emission monitoring system and successfully updated the ISO management system to the newest version. Furthermore, the quality of PC40 cement produced by the Group was evaluated higher than the local standards in Vietnam, and the Group was thus applying to upgrade its cement label certification to PC50.

Looking forward to 2019, with the depressing cement market prices due to competition, the operation of the Group's cement plant is expected to remain difficult. In order to improve the production stability, to reduce energy consumption and to reduce the production cost per ton of the cement plant, the Group is striving to upgrade and modify the machinery system and technology of the cement production lines. It is expected that the operation of the cement plant shall be improved with the production cost being lowered upon completion of the upgrade and modification.

In addition, the Group's cement plant owns an area of about 14 hectares in Long An Province, Ho Chi Minh City, which is located next to a main river, with the right of building an inland river pier on the river. The land is adjacent to an international terminal and is currently in the levelling stage. The Group plans to use the land for warehouse and logistics rental purposes, which is expected to provide an additional source of income for the cement plant upon completion.

Property Investment

In 2018, foreign investors were very keen on investing in Vietnam's market. A total of US$19.1 billion in foreign direct investments was recorded during the year, up 9.1% from last year. Major foreign enterprises came from Japan, Singapore and South Korea. The increase in foreign investments drove up the demand for office spaces. On the other hand, there was a lack of new supply of Grade A and Grade B office buildings in Ho Chi Minh City during the year. As supply was limited whereas the demand was on the rise, vacancy rate in the market was getting lower. The performance of the overall office leasing market in Ho Chi Minh City, was therefore doing well in 2018, with both occupancy rates and rents per square meter being on a rising trend.

The Group's Saigon Trade Center, situated in the CBD of Ho Chi Minh City, was thus benefited. In 2018, both the occupancy rate and the rental income of the Saigon Trade Center recorded increases. The occupancy rate of the Saigon Trade Center was 81% as at 31 December 2018, representing an increase of approximately 2.5% as compared to the 79% recorded on 30 June 2018. The gross rental income also increased by about 10%, compared with the same period last year.

Looking ahead, some new Grade A and Grade B office buildings will add supply to the leasing market in Ho Chi Minh City in 2019. However, the demand for office space in the market is still strong and the upward trend is expected to continue. It is expected that the rental income and occupancy rate of the Group's Saigon Trade Center will continue to grow moderately in 2019.

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

Property Development

As mentioned in the 2017 Annual Report, the Group invested in a shopping and hotel complex with a total gross floor area of approximately 6,000 square meters in the downtown area of Hue Province, Central Vietnam, known as Hue Plaza. Currently, the Group is in discussion with the government of Hue to enhance the plot ratio and design height of the Hue Plaza so as to achieve the best benefits. The progress of the project has therefore been delayed. After the finalisation of the relevant plan and design, to be expected within this year, the construction of the Hue Plaza will be started immediately and completion is expected to be within 2 years.

In 2018, the property market in Ho Chi Minh City was booming and a large number of multi-storey apartment buildings were launched in the market. The absorption capacity of the market was seen abundant. In addition to the huge demand from the local middle class, overseas investors were also eager to invest in the residential property market in Vietnam. However, in the short term, due to the sharp increase in supply and the increase in vacancy rate, there were uncertainties in the property market. The Group's 17,000-square-meter residential site in Binh Thanh District, Ho Chi Minh City shall remain as land reserve for the time being, waiting for a suitable moment for its development.

In addition, the Group had established a joint venture company with Viet Lien A Stock Company in 2008 to develop a real estate project in Ho Chi Minh City, Vietnam. Subsequent to the downturn of the Vietnam's property market and divergence of opinions with Viet Lien A Stock Company, the project together with the license of the joint venture company had been cancelled. As a result, the Group had made a full provision of its deposit to the joint venture company in its profit and loss account in 2011. After years of effort, the Group successfully recovered from Viet Lien A Stock Company for an amount of approximately HK$88 million. The recovery amount was booked as profit to the Group's profit and loss account in 2018, which has also strengthened the Group's cash reserve.

Hotel Business

The Group's hotel in the downtown area of Tuen Mun, namely PENTAHOTEL HONG KONG, TUEN MUN, has achieved satisfactory performance and occupancy rate since its opening. The average occupancy rate in 2018 was over 88% and the source of customers was mainly from mainland China. According to figures released by the Travel Industry Council of Hong Kong, the number of overnight visitors from China increased by 7.4% in 2018, and thus the Group's hotel was benefited. The Group's hotel revenue in 2018 was HK$69,171,000. Together with income from the retail shop, the hotel brought over HK$18 million in cash inflow to the Group. After deducting the depreciation charge, the hotel business recorded a loss of HK$9,605,000 for the year ended 31 December 2018, representing a decrease of 55.4% comparing to a loss of HK$21,532,000 for the same period of 2017. As the hotel is located on the side of the industrial zone near the West Rail Station of Tuen Mun MTR Station, people flow is relatively lesser than the other side of the V-City Mall. As such, the usage of the hotel's restaurant is still low and a part of the hotel's retail areas has not yet been leased out. Since the area has gradually been developed and becoming prosperous, the hotel's restaurant and leasing situation of the retail areas shall be expected to improve gradually.

A new hotel next to the Group's hotel will open in mid-2019, which may impact the occupancy rate of the Group's hotel in the short term. However, in the medium to long term, it shall bring prosperity and also the advantages of clustering of the hotel industry in the district. In the future, with the development of the Great Bay Area having been announced and implemented, Tuen Mun District will become an important hub for the Great Bay Area. After the opening of the Tuen Mun-Chek Lap Kok Link Road, the development potential of the area shall become more apparent. The Group's hotel is strategically located in the central point of the Great Bay Area and, in the long run, is expected to bring in growing cash flow and income to the Group steadily.

Chairman's Statement

Dividend

The Board recommended to distribute a final dividend of HK6 cents per share to the shareholders. Together with the interim dividend of HK4 cents per share already distributed, the total dividend for the year of 2018 will be HK10 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

27 March, 2019

Financial Review

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 31 December 2018 amounted to HK$258,703,000 (31 December 2017: HK$198,434,000). The Group's total bank and other borrowings amounted to HK$41,216,000 (31 December 2017: HK$61,509,000), of which HK$40,315,000 (31 December 2017: HK$60,538,000) was repayable within 1 year/on demand clause and HK$901,000 (31 December 2017: HK$971,000) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK dollars. Of the total borrowings, about 4.0% were at fixed interest rate.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was not applicable as at 31 December 2018 (31 December 2017: not applicable).

Significant investments held

As at 31 December 2018, the Group has no significant investment held.

Other receivables

As at 31 December 2018, the Group's other receivables mainly represented the amount due from a reputable bank in Vietnam of US$10,118,000 (2017: Nil) as a result of the execution of a bank guarantee by the Group for the recovery of a deposit for a property development project which was impaired in prior years. The bank guarantee was executed in December 2018 and was fully settled to the Group in February 2019.

Details of charges

As at 31 December 2018, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK$593,792,000, certain 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.

Exposure to fluctuations in exchange rates and related hedges

The Group is exposed to the risk of exchange rate fluctuations 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 recorded a slight depreciation of 1.9% as at 31 December 2018 when compared to the rate as at 31 December 2017. The Group recorded an exchange loss of HK$6,247,000 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 capital commitments

The Group's capital commitments are set out in note 33 to the consolidated financial statements.

Details of contingent liability

As at 31 December 2018, the Group has no significant contingent liability (31 December 2017: Nil).

Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 1,200 employees, of which over 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$65,536,000 for the year ended 31 December 2018 (31 December 2017: HK$64,635,000). 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 2018. 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 (CO_2), nitrogen oxide (NO_x) and sulphur dioxide (SO_2). 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 0.154 ton of coal to produce one ton of clinker. In 2018, the Group's cement operation consumed 194,885 ton of coal

1.1 Carbon dioxide (CO_2)

CO_2 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 2018, CO_2 emission measurements for the C and D production line were 88.3 mg/Nm^3 and 139.2 mg/Nm^3 respectively.

Environment (continued)

1. Emission (continued)

1.2 Nitrogen oxide (NO_x)

Nitrogen Oxide (NO_x) is a family of poisonous, highly reactive gases. NO_x 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 2018, NO_x emission measurements for the C and D production line were 809.0 mg/Nm^3 and 919.0 mg/Nm^3 respectively.

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 SO_2, are generated both from the sulfur compounds in the raw materials and from sulfur in fuels used to fire a preheater.

In 2018, SO_2 emission measurements for the C and D production line were 13.3 mg/Nm^3 and 56.0 mg/Nm^3 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 2018, dust emission measurements for the C and D production line were 17.96 mg/Nm^3 and 66.64 mg/Nm^3 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	NO_2	TCVN 6137:2009
1.4	SO_2	TCVN 5971:1995
1.5	CO	ASTM D1945
1.6	H_2S	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, NO_x, SO_2)	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 ($CaCO_3$)	SMEWW 2340C:2012
4.5	TSS (Suspended Solids)	TCVN 6625:2000
4.6	COD (Chemical Oxygen Demand)	SMEWW 5220-C:2012
4.7	BOD_5(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 (continued)

Vietnam environmental measurement standards *Appendix 1*

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 ($CaCO_3$)	SMEWW 2340C:2012
5.5	TSS (Suspended Solids)	TCVN 6625:2000
5.6	BOD_5 (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 2018, the Group's cement plant has complied with all the above-said Vietnam Nation standards and requirements.

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan (continued)

In October 2017, the Group's cement plant commissioned an external contractor to install a Continuous Emission Monitoring System ("CEMS") at the plant's production facilities to comply with the environmental laws in Vietnam. The CEMS measures gas flow, dust emission at the plant's grinder and clinker cooling units. Other gas emissions including carbon monoxide, sulphur dioxide, nitrogen oxide, oxygen, and temperature at the plant's kiln units are also monitored by the CEMS. Gas emission information in real-time of 5-minute intervals can be transmitted to the plant's ISO department, the plant's control rooms, and the monitoring centre at the Department of Natural Resources and Environment of Thua Thien Hue Province. The installation was completed in May 2018. Further validation on the data accuracy of the CEMS is pending to the direction of Ministry of Natural Resources and Environment in 2019.

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 2018, the total volume of physical hazardous wastes was 31,750 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 2018, the total volume of physical non-hazardous wastes was 155,400 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 not charged any penalty by EPD.

Environment (continued)

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 2018, the consumption of coal and electricity were 194,885 ton and 162,352,014 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.

During the year, the Group's cement plant has consulted with external contractors to explore the feasibility of incorporating a WHR system to our existing plant, although no formal contract has been entered into. Nevertheless, it has been concluded that for the WHR system to be operated effectively, the operating capacity of certain equipment at the production line D needs to be upgraded. In November 2018, the Group's cement plant commissioned an external contractor to re-design the preheater and precalciner of workshop D, and to improve the automated process controls. The specifications of the newly-designed equipment has been finalised by the plant's engineers and the contractor in January 2019.

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.

2.2 Water

Water is mainly for machine cooling purpose for the cement plant. In 2018, the cement plant consumed a total a volume of around 547,808 m3 water. Underground water and raining water are the main water source of the cement plant. There was no difficulty in sourcing water during 2018.

2.3 Packing Material

Cement bag is the major packing material in our cement plant. One cement bag contains 50 kg of cement. In 2018, the cement plant consumed 14,670,111 pieces of cement bag.

Environment (continued)

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 2018, 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 such as glass bottles recycling. The consumption of energy, resources and environmental of the hotel in 2018 were as follows:

Towngas: A total of 4,067,852 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 3,090,040 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 environmentally 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.

Water: the hotel consumed in total of 35,575 cu.m. in 2018. 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.

Glass Bottles: The hotel made the best effort to minimizing the impact on the environment by arranging recycling company to collect glasses bottles for recycle purpose since June 2018. According to the records, 3,360 Liters of glasses were collected by recycling company.

Environmental Social and Governance Report

Social

1. Employment

As at 31 December 2018, the Group's cement plant had about 1037 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 investment property operation:– As at 31 December 2018, Saigon Trade Centre had about 30 employees. The base salary level for all employees is above the minimum salary requirement in respective areas. All employees have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws.

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 61.1% and among supervisor and lower level staff was 75.4% till 31 December 2018, mainly was on operation level.

The hotel had 79 full-time employees as at 31 December 2018, comprising of 35 males and 44 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.

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 and Saigon Trade Center 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 May and October of 2018. Saigon Trade Center also arranges medical check-up for all employees once per annum.

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 but 2 injuries about sprain and strain were reported, with one involved 3 days sick leave and the other involved 145 days sick leave, for the financial year ended 31 December 2018.

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.

Social (continued)

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.

During the year, 1,363 employees have attended 72 training sessions provided by the Group's cement plant. The trainings mainly cover the topics such as updated industrial safety practices and technical knowledge of the respective departments of the staff.

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: Introduction to the Anti-discrimination Laws; Basic Financial Management; Corruption Prevention Seminar for Catering Industry and Talk for Hotel Industry by ICAC; iLeave and iAttendance System Training; Briefing on GDPR
- F&B staff: Electric Boiler; Environmental Protection
- Security staff: ERT Fire Fighter; First-aid; Crime Prevention Seminar
- Administration staff: Employment Ordinance Seminar; 2018 New Series HK Banknotes Seminar; Cybersecurity Awareness Training; Legal Update Seminar for the General Data Protection Regulation in Asia-Pacific and HK Business; Ideas System Training; Job Dispatch System;
- Housekeeping staff: First Aid; ERT Fire Fighter; Occupational Safety and Health Seminar for Hotel Industry; Sustainability – ECO Drive Initiative in HK; Polyfoam Recycling; Environmental Protection; Job Dispatch System
- Front Office staff: ERT Fire Fighter; 2018 New Series HK Banknotes Seminar
- Compulsory training for all associates were orientation, fire safety, fire drill and work safety

The average training hours of for each employee were about 10-12 hours during the reporting year.

Social (continued)

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 2018, the youngest employee working in the cement plant was aged 19.

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.

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.

Social (continued)

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	Year of Reward
Clinker	TCVN7024:2013	2002
Portland Cement PCB30 and PCB40	TCVN6260:2009	1997
Portland Cement PCB40 and PC50	TCVN6260:2009	1999
Portland Cement Type I, II & V	ASTM C150/C150M-18	2017
Portland Cement PCSR40 and PCMSR50	TCVN6067:2004	2004

Also, all our cement products are complied with Vietnam National standards on products, goods and construction materials (QCVN16:2017/BXD). Furthermore, the Company has been awarded by QUACERT with the certificates of ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007, 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 around 2 months. Usually the complaints were about the light was dark in the hallway on each floor and there was not a refrigerator inside the guest room. The hotel staff would explain to the guest immediately.

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.

Social (continued)

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.

8. Community Investment

In 2018, 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 2018, the Group's cement plant continued to have 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 addition, the company has provided support to disadvantaged children.

In regards to the hotel operation: Hotel staff visited elderly home in Dec 2018 and purchased 30 pieces of T-shirt as a professional hotel team visiting, it was costed HK$1,800.

On the other hand, Hotel also donated US$180 for Bridge of Love International in India. The mission of the association is helping woman and children to impact the poor, the forgotten, the abused and abandoned, as well as those vulnerable to trafficking by bringing hope and transformation through training, equipment, education, employment and empower women so they may live in dignity, security and confidence.

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 of Hong Kong Limited (the "Listing Rules").

Throughout the financial year ended 31 December 2018, 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 29 May 2018 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 pages 32 to 33 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. However, all independent non-executive directors shall be appointed for a specific term of one year until the forthcoming annual general meeting and shall be reappointed after being re-elected at the annual general meeting.

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 eight meetings during the financial year ended 31 December 2018. Mdm. CHENG Cheung, Mr. LUK Yan, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan, Monsie attended all board meetings, while Mr. LUK Fung attended seven board meetings ,and Mr. LIU Li Yuan, Mr. LIANG Fang and Mr. LAM Chi Kuen attended three board meetings.

Appointment, re-election and removal of Directors

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

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

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

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

The Board (continued)

Induction and Continuous Professional Development

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

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

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2018, :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.

The Board (continued)

Chairman and Chief Executive Officer (continued)

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 2018, 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 2017 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) reviewed and discussed on the Management Discussion and Analysis, and different business segments' performances, contributions and prospects;

The Board (continued)

Audit Committee (continued)

(iv) reviewed and discussed the cashflow situation of the Group;

(v) discussed the final dividend to be declared;

(vi) considered the audit fee for the Year 2018;

(vii) reviewed and recommended 2018 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;

(viii) 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 and Mdm. Cheng Cheung, the Chairman of the Company. Mr. LIU Li Yuan is the chairman of the remuneration committee.

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

In 2018, the Remuneration Committee met once. All members attended both meetings. During the year, the Remuneration Committee performed the works as summarized below:

(i) reviewed remuneration packages of all senior management;

(ii) reviewed and recommended the existing policy and structure for the Company's staff, including salary, share options scheme and other incentive scheme;

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

(iv) reviewed and recommended revision of the existing remuneration packages of the Executive Directors;

(v) reviewed remuneration of the independent non-executive directors.

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.

The Board (continued)

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 2018, 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. The Nomination committee also reviewed the independency of all independent non-executive directors, and the re-appointment of directors.

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 2018. 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 2018 until the conclusion of the next annual general meeting.

For the year ended 31 December 2018, amounts of HK$2,343,000 and HK$88,000 were paid to Ernst & Young for their statutory audit service and tax service respectively.

The statement of the Company's auditor, Messrs. Ernst & Young, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 37 and 42.

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 2018, 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 reports.

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

Investor Relations

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

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2018.

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 2018 and the Group's financial position at that date are set out in the financial statements on pages 43 to 127.

An interim dividend of HK4 cents per ordinary share was paid on 12 October 2018. 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 4 June 2019.

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 130. 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 128.

Share Capital and Share Options

Details of movements in the Company's share capital during the year are set out in note 28 to the financial statements. During the year, the Company adopted a new share option scheme. Further details are disclosed in note 29 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 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2018, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK$99,162,000, 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.

Charitable contributions

During the year, the Group does not have any charitable contributions.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 55% of the total sales for the year and sales to the largest customer included therein amounted to approximately 18%. Purchases from the Group's five largest suppliers accounted for approximately 58% 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

Directors (continued)

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 78, 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 41 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 54, is an Executive Director of the Company. He is the General Manager of Luks Land (Vietnam) 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 29 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 52, 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 29 years. He also holds directorship in various subsidiaries of the Group.

Mr. Luk Fung, aged 50, 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) 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 19 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 42, 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 12 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.

Directors' and Senior Management's Biographies (continued)

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 65, 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 page 26 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 2018, 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 2018, 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 2018, 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.

Share Option Schemes

At the AGM of the Company held on 29 May 2018, the shareholders of the Company approved the adoption of share option scheme. Unless otherwise terminated or amended, the share option scheme will remain in force for ten years from the date of adoption.

From the adoption date to 31 December 2018, no share options were granted under the share option scheme. Particulars are disclosed in note 29 to the financial statements.

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

At 31 December 2018, 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 (being trustee of the Luks Family Trust).

Save as disclosed above, as at 31 December 2018, 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 1/F, pentalounge, pentahotel Hong Kong, Tuen Mun, 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong at 3:00 pm on Friday 24 May 2019.

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

27 March 2019

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 43 to 127, which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018, 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$1,130 million as at 31 December 2018. 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 term yields, etc. Disclosures in relation to the estimation of fair values of investment properties are included in notes 3 and 14 to the consolidated 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 and 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$610 million (including the related leasehold land and building, furniture, fixtures and office equipment) as at 31 December 2018. At the end of the reporting period, there was an indicator of impairment for the Hotel Property. 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$610 million as at 31 December 2018; 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 consolidated 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.

Independent auditor's report

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.

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)

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.

- 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.

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)

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. Chung Ho Ling.

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

27 March 2019

Consolidated Statement of Profit or Loss

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**723,805**	665,072
Cost of sales		**(481,470)**	(431,106)
Gross profit		**242,335**	233,966
Other income and gains	5	**5,304**	6,313
Reversal of impairment of a deposit made in prior years	19	**87,976**	–
Fair value gains/(losses) on investment properties, net	14	**(703)**	34,272
Selling and distribution expenses		**(69,316)**	(75,820)
Administrative expenses		**(83,437)**	(72,484)
Other expenses		**(7,372)**	(548)
Finance costs	7	**(1,935)**	(1,383)
PROFIT BEFORE TAX	6	**172,852**	124,316
Income tax expense	10	**(29,432)**	(30,220)
PROFIT FOR THE YEAR		**143,420**	94,096
Attributable to:			
Owners of the parent		**144,128**	94,417
Non-controlling interests		**(708)**	(321)
		143,420	94,096
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted		**HK28.5 cents**	HK18.7 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR		**143,420**	94,096
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(22,654)**	19,491
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Gain on property revaluation	13	**–**	3,690
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(22,654)**	23,181
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**120,766**	117,277
Attributable to:			
Owners of the parent		**119,098**	119,293
Non-controlling interests		**1,668**	(2,016)
		120,766	117,277

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**1,170,196**	1,228,161
Investment properties	14	**1,130,015**	1,146,947
Prepaid land lease payments	15	**11,645**	12,893
Properties for development	16	**29,782**	31,401
Prepayments	19	**4,812**	–
Total non-current assets		**2,346,450**	2,419,402
CURRENT ASSETS			
Inventories	17	**67,739**	63,264
Trade receivables	18	**42,529**	37,077
Prepayments, other receivables and other assets	19	**103,251**	47,178
Financial assets at fair value through profit or loss	20	**57**	59
Cash and cash equivalents	21	**258,703**	198,434
Total current assets		**472,279**	346,012
CURRENT LIABILITIES			
Trade payables	22	**13,532**	7,226
Other payables and accruals	23	**139,520**	139,258
Interest-bearing bank and other borrowings	24	**40,315**	60,538
Tax payable		**22,773**	21,769
Total current liabilities		**216,140**	228,791
NET CURRENT ASSETS		**256,139**	117,221
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,602,589**	2,536,623

Consolidated Statement of Financial Position

31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,602,589**	2,536,623
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	24	**901**	971
Rental deposits	23	**25,261**	24,567
Provisions	26	**4,015**	4,101
Deferred tax liabilities	27	**201,760**	206,279
Total non-current liabilities		**231,937**	235,918
Net assets		**2,370,652**	2,300,705
EQUITY			
Equity attributable to owners of the parent			
Issued capital	28	**5,053**	5,053
Reserves	30	**2,393,908**	2,325,629
		2,398,961	2,330,682
Non-controlling interests		**(28,309)**	(29,977)
Total equity		**2,370,652**	2,300,705

Cheng Cheung
Director

Luk Sze Wan, Monsie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2018

	Notes	Issued capital HK$'000 (note 28)	Share premium account HK$'000	Contributed surplus HK$'000 (note 30(b))	Capital redemption reserve HK$'000 (note 30(c))	Property revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
		Attributable to owners of the parent									
At 1 January 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 on translation of 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	31(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
At 1 January 2018		**5,053**	**738,496**	**175,009**	**703**	**24,173**	**(463,133)**	**1,850,381**	**2,330,682**	**(29,977)**	**2,300,705**
Effect of adoption of HKFRS 9	2.2	**–**	**–**	**–**	**–**	**–**	**–**	**(289)**	**(289)**	**–**	**(289)**
At 1 January 2018 (restated)		**5,053**	**738,496**	**175,009**	**703**	**24,173**	**(463,133)**	**1,850,092**	**2,330,393**	**(29,977)**	**2,300,416**
Profit/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**–**	**144,128**	**144,128**	**(708)**	**143,420**
Other comprehensive income/(loss) for the year:											
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**–**	**–**	**(25,030)**	**–**	**(25,030)**	**2,376**	**(22,654)**
Total comprehensive income/(loss) for the year		**–**	**–**	**–**	**–**	**–**	**(25,030)**	**144,128**	**119,098**	**1,668**	**120,766**
2017 final dividend	11	**–**	**–**	**–**	**–**	**–**	**–**	**(30,318)**	**(30,318)**	**–**	**(30,318)**
2018 interim dividend	11	**–**	**–**	**–**	**–**	**–**	**–**	**(20,212)**	**(20,212)**	**–**	**(20,212)**
At 31 December 2018		**5,053**	**738,496***	**175,009***	**703***	**24,173***	**(488,163)***	**1,943,690***	**2,398,961**	**(28,309)**	**2,370,652**

* These reserve accounts comprise the consolidated reserves of HK$2,393,908,000 (2017: HK$2,325,629,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**172,852**	124,316
Adjustments for:			
Finance costs	7	**1,935**	1,383
Interest income	5	**(4,833)**	(5,440)
Fair value (gains)/losses on investment properties, net	14	**703**	(34,272)
Gain on disposal of subsidiaries	5	**–**	(740)
Loss on disposal of items of property, plant and equipment, net	6	**–**	108
Depreciation	6	**70,222**	55,883
Amortisation of properties for development	6	**1,096**	959
Amortisation of prepaid land lease payments	6	**1,345**	1,435
Impairment of trade receivables	6	**1,101**	181
Reversal of impairment of a deposit made in prior years		**(87,976)**	–
		156,445	143,813
Decrease/(increase) in inventories		**(5,648)**	6,167
Increase in trade receivables		**(7,539)**	(5,572)
Decrease/(increase) in prepayments, other receivables and other assets		**26,227**	(3,789)
Increase in trade payables		**6,408**	1,277
Increase/(decrease) in other payables and accruals		**2,465**	(671)
Increase in rental deposits		**1,147**	10,465
Decrease in provisions		**(67)**	(67)
Cash generated from operations		**179,438**	151,623
Interest paid		**(1,822)**	(1,288)
Interest element of finance lease rental payments		**(113)**	(95)
Hong Kong profits tax paid		**(30)**	(71)
Overseas taxes paid		**(24,945)**	(27,173)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**152,528**	122,996

	Notes	2018 HK$'000	2017 HK$'000
NET CASH FLOWS FROM OPERATING ACTIVITIES		**152,528**	122,996
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**4,833**	5,440
Increase in time deposits with original maturity of over three months when acquired		**(34,800)**	(2,454)
Purchases of items of property, plant and equipment		**(22,300)**	(90,287)
Proceed from disposal of items of property, plant and equipment		**–**	3,916
Prepayment of land lease payments		**–**	(12,347)
Disposal of subsidiaries	31(a)	**–**	(185)
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**(52,267)**	(95,917)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**20,000**	90,000
Repayment of bank loans		**(40,417)**	(73,515)
Capital element of finance lease rental payments		**(730)**	(510)
Decrease in an amount due to a director		**–**	(516)
Dividends paid		**(50,530)**	(55,583)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(71,677)**	(40,124)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28,584**	(13,045)
Cash and cash equivalents at beginning of year		**151,305**	164,309
Effect of foreign exchange rate changes, net		**(3,115)**	41
CASH AND CASH EQUIVALENTS AT END OF YEAR		**176,774**	151,305
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**136,797**	116,042
Non-pledged time deposits with original maturity of less than three months when acquired		**39,977**	35,263
Non-pledged time deposits with original maturity of over three months when acquired		**81,929**	47,129
Cash and cash equivalents as stated in the statement of financial position	21	**258,703**	198,434
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(81,929)**	(47,129)
Cash and cash equivalents as stated in the statement of cash flows		**176,774**	151,305

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

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Luks Family (PTC) Limited, which is incorporated in Bermuda.

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, investment holding and hotel operation
Luks Industrial (Bao An) Company Limited*	People's Republic of China ("PRC")	HK$39,000,000	–	100	Property investment
Luks Electrical Appliance Manufacturing Limited	Hong Kong	HK$300,000	–	100	Sale of electronic products
Luks Vietnam Company Limited	British Virgin Islands/ Hong Kong	US$3	100	–	Investment holding

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 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
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 Investment and Construction 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 financial assets 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 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The 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.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

2.2 Changes in Accounting Policies and Disclosures (continued)

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 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. 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. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs").

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Classification and measurement (continued)

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 January 2018 is as follows:

		HKAS 39 measurement				HKFRS 9 measurement	
	Note	Category	Amount	ECL	Other	Amount	Category
			HK$'000	HK$'000	HK$'000	HK$'000	
Financial assets							
Trade receivables	(i)	L&R[1]	37,077	(361)	–	36,716	AC[2]
Financial assets included in prepayments, other receivables and other assets		L&R	42,165	–	–	42,165	AC
Financial assets at fair value through profit or loss		FVPL[3]	59	–	–	59	FVPL (mandatory)
Cash and cash equivalents		L&R	198,434	–	–	198,434	AC
Assets			277,735	(361)	–	277,374	
Financial liabilities							
Trade payables		AC	7,226	–	–	7,226	AC
Financial liabilities included in other payables and accruals		AC	51,449	–	–	51,449	AC
Interest-bearing bank and other borrowings		AC	61,509	–	–	61,509	AC
Rental deposits		AC	24,567	–	–	24,567	AC
			144,751	–	–	144,751	
Other liabilities							
Deferred tax liabilities			206,279	–	(72)	206,207	
Liabilities			351,030	–	(72)	350,958	

1 L&R: Loans and receivables
2 AC: Financial assets or financial liabilities at amortised cost
3 FVPL: Financial assets at fair value through profit or loss

Note:

(i) The gross carrying amounts of the trade receivables under the column "HKAS 39 measurement – Amount" represent the amounts before the measurement of ECLs.

2.2 Changes in Accounting Policies and Disclosures (continued)

(b) (continued)

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9. Further details are disclosed in note 18 to the financial statements.

	Impairment allowances under HKAS 39 at 31 December 2017	**Re-measurement**	**ECL allowances under HKFRS 9 at 1 January 2018**
	HK$'000	HK$'000	HK$'000
Trade receivables	3,625	361	3,986

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Retained profits
	HK$'000
Balance as at 31 December 2017 under HKAS 39	1,850,381
Recognition of expected credit losses for trade receivables under HKFRS 9, net of tax	(289)
Balance as at 1 January 2018 under HKFRS 9	1,850,092

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 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 disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition in note 2.4 to the financial statements.

2.2 Changes in Accounting Policies and Disclosures (continued)

(c) (continued)

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 January 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

The nature of the adjustments as at 1 January 2018 and the reasons for the changes in the statement of financial position as at 31 December 2018 are described below:

Consideration received from customers in advance

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as other payables. Under HKFRS 15, the amount is classified as contract liabilities which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, as at 1 January 2018, the Group reclassified HK$5,409,000 from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of cement, the provision of property management and related services and the provision of hotel and related services.

As at 31 December 2018, under HKFRS 15, HK$5,976,000 was reclassified from other payables to contract liabilities in relation to the consideration received from customers in advance for the sale of cement, the provision of property management and related services and the provision of hotel and related services.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

2.2 Changes in Accounting Policies and Disclosures (continued)

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

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 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
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.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 January 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

(continued)

HKFRS 16 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 will adopt HKFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. The Group expects that the adoption of HKFRS 16 will have no significant impact on the Group's financial statements.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 January 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 January 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 January 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investment in a joint venture

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 investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

2.4 Summary of Significant Accounting Policies (continued)

Investment in a joint venture (continued)

The Group's share of the post-acquisition results and other comprehensive income of a joint venture is included in 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 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 joint venture are eliminated to the extent of the Group's investment in the joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint venture is included as part of the Group's investment in a joint venture.

If an investment in a joint venture becomes an investment in an associate, 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 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 joint venture upon loss of 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.

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.

2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

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

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

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

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 and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies (continued)

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.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

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

Investment properties

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

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

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.

2.4 Summary of Significant Accounting Policies (continued)

Leases

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases, including prepaid land lease payments under finance leases, are included in property, plant and equipment, and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the statement of profit or loss so as to provide a constant periodic rate of charge over the lease terms.

Assets acquired through hire purchase contracts of a financing nature are accounted for as finance leases, but are depreciated over their estimated useful lives.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor 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 (policies under HKFRS 9 applicable from 1 January 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 January 2018)" below.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Initial recognition and measurement (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

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.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Subsequent measurement (continued)

Financial assets at fair value through other comprehensive income (debt instruments)

The Group measures debt investments at fair value through other comprehensive income if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under HKFRS 9 applicable from 1 January 2018) (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, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement

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

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 (applicable before 1 January 2018)" 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 in included in other income and gains 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 (policies under HKFRS 9 applicable from 1 January 2018 and policies under HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKFRS 9 applicable from 1 January 2018) (continued)

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018)

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.

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 yet 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).

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (policies under HKAS 39 applicable before 1 January 2018) (continued)

Financial assets carried at amortised cost (continued)

The carrying amount of the asset is reduced through the use of an allowance account and 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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, 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 and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, rental deposits and interest-bearing bank and other borrowings.

Subsequent measurement

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

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018) (continued)

Subsequent measurement (continued)

Loans and borrowings

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 (policies under HKFRS 9 applicable from 1 January 2018 and HKAS 39 applicable before 1 January 2018)

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 and assets similar in nature to cash, 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 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, 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, 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.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (applicable from 1 January 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of cement and other products

Revenue from the sale of cement and other products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the cement and other products.

(b) Provision of property management and related services

Revenue from the provision of property management and related services is recognised over the scheduled period on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Provision of hotel and related services

Revenue from the provision of hotel services is recognised upon the provision of service and/or over the scheduled period.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (applicable from 1 January 2018) (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly 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.

Revenue recognition (applicable before 1 January 2018)

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;

(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.

Contract assets (applicable from 1 January 2018)

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

2.4 Summary of Significant Accounting Policies (continued)

Contract liabilities (applicable from 1 January 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the 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).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and a joint venture 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 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 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 the 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 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 that 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 that 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 dates 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 2018 was HK$1,130,015,000 (2017: HK$1,146,947,000). 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 hotel operation segment represents the Group's hotel business;

(d) the property development segment represents the Group's development and sale of properties; 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 resource 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.

4. Operating Segment Information (continued)

(a) Business segments

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
Year ended 31 December	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Segment revenue (note 5)												
Sales to external customers	**509,673**	511,166	**133,023**	119,525	**69,171**	23,633	**-**	–	**11,938**	10,748	**723,805**	665,072
Other income and gains	**71**	25	**394**	108	**-**	–	**-**	–	**6**	740	**471**	873
											724,276	665,945
Segment results	**27,391**	49,842	**97,951**	123,728	**(9,605)**	(21,532)	**83,825**	(2,921)	**(31,543)**	(30,241)	**168,019**	118,876
Reconciliation:												
Interest income											**4,833**	5,440
Profit before tax											**172,852**	124,316
Income tax expense	**(6,562)**	(10,787)	**(22,858)**	(19,362)	**-**	–	**-**	–	**(12)**	(71)	**(29,432)**	(30,220)
Profit for the year											**143,420**	94,096
Segment assets	**688,758**	727,931	**1,341,095**	1,298,766	**616,684**	648,866	**138,652**	66,717	**33,540**	23,134	**2,818,729**	2,765,414
Total assets											**2,818,729**	2,765,414
Segment liabilities	**89,910**	83,320	**238,925**	231,352	**83,575**	119,990	**13,606**	14,754	**22,061**	15,293	**448,077**	464,709
Total liabilities											**448,077**	464,709
Other segment information												
Depreciation and amortisation	**41,645**	42,739	**2,485**	1,914	**25,902**	12,333	**2,597**	1,240	**34**	51	**72,663**	58,277
Capital expenditure	**8,067**	8,040	**13,136**	2,881	**1,951**	79,361	**-**	–	**-**	5	**23,154**	90,287
Impairment of trade receivables	**1,082**	181	**-**	–	**19**	–	**-**	–	**-**	–	**1,101**	181
Fair value losses/(gains) on investment properties, net	**-**	–	**703**	(34,272)	**-**	–	**-**	–	**-**	–	**703**	(34,272)
Loss/(gain) on disposal of items of property, plant and equipment, net	**-**	576	**-**	(468)	**-**	–	**-**	–	**-**	–	**-**	108
Reversal of impairment of a deposit made in prior years	**-**	–	**-**	–	**-**	–	**87,976**	–	**-**	–	**87,976**	–
Gain on disposal of subsidiaries	**-**	–	**-**	–	**-**	–	**-**	–	**-**	740	**-**	740

4. Operating Segment Information (continued)

(b) Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
Vietnam	**627,308**	617,857
Hong Kong	**87,210**	39,305
PRC	**9,287**	7,910
	723,805	665,072

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

(b) Non-current assets

	2018 HK$'000	2017 HK$'000
Vietnam	**1,359,055**	1,389,233
Hong Kong	**965,886**	1,000,356
PRC	**21,509**	29,656
Mongolia	**–**	157
	2,346,450	2,419,402

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

4. Operating Segment Information (continued)

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, is set out below:

	2018 HK$'000	2017 HK$'000
Customer A	**127,933**	136,867
Customer B	**123,882**	120,443
Customer C	**75,504**	N/A*

* Less than 10% of the Group's revenue

The above revenue was derived from sales by the cement products segment to a single customer.

5. Revenue, Other Income and Gains

An analysis of the Group's revenue is as follows:

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Sale of cement	**509,673**	511,166
Sale of electronic products	**11,938**	10,748
Rendering of property management and related services	**34,276**	31,341
Rendering of hotel and related services	**69,171**	23,633
Revenue from other sources		
Gross rental income	**98,747**	88,184
	723,805	665,072

5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2018

Segments	Cement products HK$'000	Property investment HK$'000	Hotel operation HK$'000	Corporate and others HK$'000	Total HK$'000
Type of goods or services					
Sale of cement	509,673	–	–	–	509,673
Sale of electronic products	–	–	–	11,938	11,938
Property management and related services	–	34,276	–	–	34,276
Hotel and related services	–	–	69,171	–	69,171
Total revenue from contracts with customers	509,673	34,276	69,171	11,938	625,058
Geographical markets					
Vietnam	509,673	34,276	–	–	543,949
Hong Kong	–	–	69,171	11,938	81,109
Total revenue from contracts with customers	509,673	34,276	69,171	11,938	625,058
Timing of revenue recognition					
Goods transferred at a point in time	509,673	–	5,154	11,938	526,765
Services transferred over time	–	34,276	64,017	–	98,293
Total revenue from contracts with customers	509,673	34,276	69,171	11,938	625,058

5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2018 HK$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	
Sale of cement	**2,524**
Property management and related services	**2,504**
Hotel and related services	**381**
	5,409

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of cement and other products

The performance obligation is satisfied upon delivery of the cement and other products and payment is generally due within 30 to 60 days from delivery, where the bank guarantee is normally required for the cement customer.

Property management and related services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management and related service contracts are for periods of varied years, or are billed based on the time incurred.

Hotel and related services

For hotel services, the performance obligation is satisfied over time as services are rendered and security deposits are normally required before rendering the services. Hotel services are billed based on the time incurred or payment in advance when reservations of room are made. For hotel related services, the performance obligation is satisfied upon delivering of food, beverage and/or services and billed on the time as incurred.

5. Revenue, Other Income and Gains (continued)

Other income and gains

	Note	2018 HK$'000	2017 HK$'000
Interest income		**4,833**	5,440
Gain on disposal of subsidiaries	31(a)	**–**	740
Others		**471**	133
		5,304	6,313

6. Profit Before Tax

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

	Notes	2018 HK$'000	2017 HK$'000
Cost of inventories sold		**404,953**	380,626
Cost of services rendered		**64,544**	38,941
Depreciation**	13	**70,222**	55,883
Amortisation of prepaid land lease payments	15	**1,345**	1,435
Amortisation of properties for development		**1,096**	959
Auditor's remuneration		**2,343**	2,248
Employee benefit expense (excluding directors' remuneration (note 8))**:			
Wages and salaries		**64,712**	63,627
Pension scheme contributions		**824**	1,008
		65,536	64,635
Foreign exchange differences, net*		**6,247**	259
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**11,973**	11,539
Impairment of trade receivables*	18	**1,101**	181
Loss on disposal of items of property, plant and equipment, net*		**–**	108

* 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 2018, depreciation and employee benefit expense of HK$99,524,000 (2017: HK$87,936,000) 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:

	2018 HK$'000	2017 HK$'000
Interest on bank loans	**1,822**	1,288
Interest on finance leases	**113**	95
	1,935	1,383

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:

	2018 HK$'000	2017 HK$'000
Fees	**825**	825
Other emoluments:		
Salaries, allowances and benefits in kind	**11,705**	11,437
Discretionary bonuses	**1,182**	181
Pension scheme contributions	**72**	72
	12,959	11,690
	13,784	12,515

8. Directors' Remuneration (continued)

(a) Independent non-executive directors

	2018 HK$'000	2017 HK$'000
Liang Fang	**100**	100
Liu Li Yuan	**100**	100
Lam Chi Kuen	**100**	100
	300	300

(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
2018					
Cheng Cheung	**100**	**2,990**	**–**	**–**	**3,090**
Luk Yan	**100**	**2,633**	**732**	**18**	**3,483**
Luk Fung	**125**	**2,686**	**450**	**18**	**3,279**
Fan Chiu Tat, Martin	**100**	**2,374**	**–**	**18**	**2,492**
Luk Sze Wan, Monsie	**100**	**1,022**	**–**	**18**	**1,140**
	525	**11,705**	**1,182**	**72**	**13,484**
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

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included five (2017: five) directors, details of whose remuneration are set out in note 8 above.

10. Income Tax

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was enacted into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the elected subsidiary will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

For the year ended 31 December 2018, Hong Kong profits tax has been provided in accordance with the two-tiered profits tax rates regime. For the year ended 31 December 2017, Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

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%.

	Note	**2018** **HK$'000**	2017 HK$'000
Current – Hong Kong			
Charge for the year		**12**	71
Current – Elsewhere			
Charge for the year		**26,373**	27,770
Overprovision in prior years		**(48)**	(52)
Deferred	27	**3,095**	2,431
Total tax charge for the year		**29,432**	30,220

10. Income Tax (continued)

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

	2018 HK$'000	2017 HK$'000
Profit before tax	**172,852**	124,316
Tax at the statutory tax rates	**37,029**	26,410
Lower tax rates for specific provinces or enacted by local authority	**(602)**	(1,235)
Adjustments in respect of current tax of previous periods	**(48)**	(52)
Temporary difference not recognised	**(577)**	(4,191)
Income not subject to tax	**(23,119)**	(8,398)
Expenses not deductible for tax	**10,480**	5,826
Tax losses not recognised	**6,299**	11,860
Others	**(30)**	–
	29,432	30,220

11. Dividends

	2018 HK$'000	2017 HK$'000
Interim – HK4 cents (2017: HK5 cents) per ordinary share	**20,212**	25,265
Final proposed subsequent to the reporting period – HK6 cents (2017: HK6 cents) per ordinary share	**30,318**	30,318
	50,530	55,583

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 (2017: 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 2018 and 2017.

13. Property, Plant and Equipment

31 December 2018	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 2017 and at 1 January 2018:							
Cost	696,093	5,715	939,620	29,503	32,294	19,528	1,722,753
Accumulated depreciation	(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
At 1 January 2018, net of accumulated depreciation	649,137	3,203	519,123	20,690	16,480	19,528	1,228,161
Additions	–	12,281	–	2,296	1,602	6,975	23,154
Depreciation provided during the year	(21,916)	(695)	(39,238)	(4,838)	(3,535)	–	(70,222)
Exchange realignment	(97)	–	(10,100)	(27)	(252)	(421)	(10,897)
At 31 December 2018, net of accumulated depreciation	627,124	14,789	469,785	18,121	14,295	26,082	1,170,196
At 31 December 2018:							
Cost	695,639	17,996	919,470	31,663	33,362	26,082	1,724,212
Accumulated depreciation	(68,515)	(3,207)	(449,685)	(13,542)	(19,067)	–	(554,016)
Net carrying amount	627,124	14,789	469,785	18,121	14,295	26,082	1,170,196

13. Property, Plant and Equipment (continued)

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	(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	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	(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

At 31 December 2018, certain of the Group's leasehold land and buildings with a net carrying amount of HK$593,792,000 (2017: HK$614,998,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2018, the Group's leasehold land and buildings, furniture, fixtures and office equipment with an aggregate net carrying amount of HK$610,230,000 (2017: HK$634,210,000) were related to the hotel operation business.

14. Investment Properties

	Note	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January		**1,146,947**	951,568
Transfers from property, plant and equipment	13	**–**	151,000
Net gain/(loss) from a fair value adjustment		**(703)**	34,272
Exchange realignment		**(16,229)**	10,107
Carrying amount at 31 December		**1,130,015**	1,146,947

For the years ended 31 December 2018 and 2017, 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 2018 based on valuations performed by APAC Appraisal and Consulting Limited (2017: BMI Appraisals Limited) and the investment properties situated in Vietnam were revalued on 31 December 2018 based on valuations performed by Jones Lang Lasalle Vietnam Company Limited (2017: 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 32 to the financial statements.

As 31 December 2018, certain investment properties with an aggregate fair value of HK$153,000,000 (2017: HK$153,000,000) were pledged to secure general banking facilities granted to the Group (note 24).

Further particulars of the Group's investment properties are set out on page 128.

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)	
	2018 HK$'000	2017 HK$'000
Recurring fair value measurement for:		
Industrial properties – Hong Kong	**151,100**	172,300
Commercial properties – Hong Kong	**153,000**	153,000
Residential properties – PRC	**21,509**	29,656
Commercial properties – Vietnam	**804,406**	791,991
	1,130,015	1,146,947

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 (2017: Nil).

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

	Industrial properties HK$'000	Commercial properties HK$'000	Residential properties HK$'000
Carrying amount at 1 January 2017	164,355	760,480	26,733
Transfers from property, plant and equipment	–	151,000	–
Net gain from a fair value adjustment	7,035	25,623	1,614
Exchange realignment	910	7,888	1,309
Carrying amount at 31 December 2017 and 1 January 2018	172,300	944,991	29,656
Net gain/(loss) from a fair value adjustment	(21,200)	27,376	(6,879)
Exchange realignment	–	(14,961)	(1,268)
Carrying amount at 31 December 2018	151,100	957,406	21,509

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 and/or the direct comparison method, which was based on price information of comparable properties of similar size, character and location and carefully weighted against all the respective advantages and disadvantages of each of the comparable 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 properties 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.

14. Investment Properties (continued)

Fair value hierarchy (continued)

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 2018	2017
Hong Kong - Industrial properties	2018: Direct comparison method 2017: Income capitalisation method	Estimated rental value (per square foot and per month)	**N/A**	HK$12 to HK$13
		Reversionary yield	**N/A**	2.8% to 4.3%
		Selling price (per square foot)	**HK$3,489 to HK$4,950**	N/A
Hong Kong - Commercial properties	2018: Direct comparison method 2017: Income capitalisation method	Estimated rental value (per square foot and per month)	**N/A**	HK$19 to HK$59
		Reversionary yield	**N/A**	5.4%
		Selling price (per square foot)	**HK$12,185 to HK$16,551**	N/A
PRC - Residential properties	Income capitalisation method	Estimated rental value (per square meter and per month)	**HK$25**	HK$81
		Term yield	**2.0%**	5.5%
		Reversionary yield	**N/A**	6.0%
Vietnam - Commercial properties	Discounted cash flow method	Discount rate	**13%**	13%
		Estimated rental value (per square meter and per month)	**HK$266 to HK$352**	HK$258 to HK$344
Vietnam - Car parks	Discounted cash flow method	Discount rate	**13%**	13%
		Estimated rental value (per car park and per month)	**HK$188 to HK$1,410**	HK$188 to HK$1,406

A significant increase/(decrease) in the price per square foot in isolation would result in a significant higher/(lower) fair value of the investment properties.

A significant increase/(decrease) in the estimated rental value per square meter/foot in isolation would result in a significant higher/(lower) in the fair value of the investment properties. A significant increase/(decrease) in the reversionary yield/term yield 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 or the term yield.

15. Prepaid Land Lease Payments

	Note	2018 HK$'000	2017 HK$'000
Carrying amount at 1 January		**13,411**	2,441
Additions		**–**	12,347
Recognised during the year	6	**(1,345)**	(1,435)
Exchange realignment		**(177)**	58
Carrying amount at 31 December		**11,889**	13,411
Current portion included in prepayments, other receivables and other assets		**(244)**	(518)
Non-current portion		**11,645**	12,893

16. Properties For Development

	2018 HK$'000	2017 HK$'000
Situated in Vietnam	**29,782**	31,401
Situated in Mongolia	**36,028**	39,152
	65,810	70,553
Impairment	**(36,028)**	(39,152)
	29,782	31,401

17. Inventories

	2018 HK$'000	2017 HK$'000
Raw materials	**18,976**	21,261
Consumables	**23,804**	22,364
Work in progress	**10,641**	7,263
Finished goods	**14,318**	12,376
	67,739	63,264

18. Trade Receivables

	2018 HK$'000	2017 HK$'000
Trade receivables	**47,540**	40,702
Impairment	**(5,011)**	(3,625)
	42,529	37,077

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 30 to 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 loss allowance, is as follows:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**36,695**	32,215
31 to 60 days	**1,926**	3,615
61 to 90 days	**1,254**	514
91 to 120 days	**935**	173
Over 120 days	**1,719**	560
	42,529	37,077

18. Trade Receivables (continued)

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

	Note	2018 HK$'000	2017 HK$'000
At beginning of year		**3,625**	3,409
Effect of adoption of HKFRS 9		**361**	–
At beginning of year (restated)		**3,986**	3,409
Impairment losses	6	**1,101**	181
Exchange realignment		**(76)**	35
At end of year		**5,011**	3,625

Impairment under HKFRS 9 for the year ended 31 December 2018

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by bank guarantee or security deposits). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2018

		Past due		
	Current	1-3 months	Over 3 months	Total
Expected credit loss rate	**0.05%**	**0%**	**65.11%**	**10.54%**
Gross carrying amount (HK$'000)	**36,694**	**3,179**	**7,667**	**47,540**
Expected credit losses (HK$'000)	**19**	**–**	**4,992**	**5,011**

18. Trade Receivables (continued)

Impairment under HKAS 39 for the year ended 31 December 2017

Included in the above provision for impairment of trade receivables, which was measured based on incurred credit losses under HKAS 39, as at 31 December 2017 was a provision for individually impaired trade receivables and were related to customers that were in default of payment.

The ageing analysis of the trade receivables as at 31 December 2017 that were not individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2017 HK$'000
Neither past due nor impaired	18,375
Less than 3 months past due	17,970
Over 3 months past due	732
	37,077

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

19. Prepayments, Other Receivables And Other Assets

	2018 HK$'000	2017 HK$'000
Prepayments	6,867	5,013
Deposits	2,046	96,977
Other receivables (note)	99,150	37,760
	108,063	139,750
Impairment allowance (note)	–	(92,572)
	108,063	47,178
Non-current portion	(4,812)	–
Current portion	103,251	47,178

Note: Included in the other receivables is an amount due from a reputable bank in Vietnam of US$10,118,000 (2017: Nil) as a result of the execution of a bank guarantee by the Group for the recovery of a deposit for a property development project which was impaired in prior years. The bank guarantee was executed in December 2018 and was fully settled to the Group in February 2019. As such, together with the cash received from the original debtor by the Group of US$896,000 during the year ended 31 December 2018, a full reversal of the impairment of the deposit made in prior years was recognised in the current year.

The remaining impairment allowance as at 31 December 2017 were written off during the current year as the recoverability was considered remote.

Deposits and other receivables mainly represent deposits with suppliers. The directors of the Company considered that the expected credit losses exposure is not significant with reference to the historical loss records of the Group.

20. Financial Assets at Fair Value Through Profit or Loss

	2018 HK$'000	2017 HK$'000
Listed equity investments – overseas, at fair value	57	59

The above listed equity investments at 31 December 2018 were classified as financial assets at fair value through profit or loss as they were held for trading.

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

	2018 HK$'000	2017 HK$'000
Cash and bank balances	**136,797**	116,042
Time deposits	**121,906**	82,392
Cash and cash equivalents	**258,703**	198,434

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$24,424,000 (2017: HK$14,668,000) and HK$152,437,000 (2017: HK$121,936,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under the 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:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**12,888**	6,995
31 to 60 days	**31**	3
61 to 90 days	**234**	–
91 to 120 days	**1**	–
Over 120 days	**378**	228
	13,532	7,226

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

23. Other Payables and Accruals

	Notes	2018 HK$'000	2017 HK$'000
Rental related receipts in advance		**14,051**	12,817
Contract liabilities	(a)	**5,976**	–
Deposits received		**41,441**	40,220
Accruals		**63,947**	74,992
Advances from non-controlling shareholders of certain subsidiaries		**12,998**	14,125
Other payables	(b)	**26,368**	21,671
		164,781	163,825
Less: Rental deposits classified as non-current portion		**(25,261)**	(24,567)
Current portion		**139,520**	139,258

Notes:

(a) Details of contract liabilities as at 31 December 2018 and 1 January 2018 are as follows:

	31 December 2018 HK$'000	1 January 2018 HK$'000
Short-term advances received from customers		
Sale of cement	**2,393**	2,524
Property management and related services	**3,568**	2,504
Hotel and related services	**15**	381
Total contract liabilities	**5,976**	5,409

Contract liabilities include short-term advances received to deliver cement products, property management and related services and hotel and related services. There were no significant changes in the contract liabilities during the year.

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

24. Interest-Bearing Bank and Other Borrowings

	Note	2018 Contractual interest rate	2018 Maturity	2018 HK$'000	2017 Contractual interest rate	2017 Maturity	2017 HK$'000
Current							
Finance lease payables	25	**1.98% – 2.5%**	**2019**	**732**	1.98%	2018	538
Bank loan – secured		**–**	**–**	**–**	HIBOR+1.5%	on demand	10,000
Long term bank loans repayable on demand – secured		**HIBOR+1.5%**	**on demand**	**39,583**	HIBOR+1.5%	on demand	50,000
				40,315			60,538
Non-current							
Finance lease payables	25	**1.98% – 2.5%**	**2020-2022**	**901**	1.98%	2020 – 2021	971
				41,216			61,509

	2018 HK$'000	2017 HK$'000
Analysed into:		
Bank loans repayable:		
Within one year or on demand (note)	**39,583**	60,000
Other borrowings repayable:		
Within one year	**732**	538
In the second year	**562**	567
In the third to fifth years, inclusive	**339**	404
	1,633	1,509
	41,216	61,509

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

Note: As further explained in note 37 to the financial statements, the Group's term loans with an aggregate amount of HK$27,083,000 (2017: HK$39,583,000) 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.

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

	2018 **HK$'000**	2017 HK$'000
Within one year or on demand	**12,500**	20,417
In the second year	**12,500**	12,500
In the third to fifth years, inclusive	**14,583**	27,083
	39,583	60,000

Notes:

(a) At 31 December 2018, certain of the Group's leasehold land and buildings with a net carrying amount of HK$593,792,000 (2017: 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 (2017: HK$153,000,000) were pledged to secure the above bank loans and general banking facilities granted to the Group.

(b) At 31 December 2018, the secured bank loans were denominated in Hong Kong dollars with an aggregate amount of HK$39,583,000 (2017: HK$60,000,000).

(c) As at 31 December 2018, the Company has guaranteed the Group's interest-bearing bank loans and certain general banking facilities up to HK$180,000,000 (2017: HK$180,000,000).

(d) Other interest rate information:

	2018 **HK$'000**	2017 HK$'000
Fixed rate:		
Finance lease payables	**1,633**	1,509
Floating rate:		
Bank loans – secured	**39,583**	60,000
	41,216	61,509

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

25. 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 two to four years.

At 31 December 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Note	Minimum lease payments		Present value of minimum lease payments	
		2018	2017	**2018**	2017
		HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:					
Within one year		**798**	604	**732**	538
In the second year		**591**	604	**562**	567
In the third to fifth years, inclusive		**352**	417	**339**	404
Total minimum finance lease payments		**1,741**	1,625	**1,633**	1,509
Future finance charges		**(108)**	(116)		
Total net finance lease payables		**1,633**	1,509		
Portion classified as current liabilities	24	**(732)**	(538)		
Non-current portion	24	**901**	971		

26. Provisions

	Long service payments HK$'000	Environmental restoration HK$'000	Total HK$'000
At 1 January 2018	**3,068**	**1,033**	**4,101**
Additional provision	**1**	**–**	**1**
Amount utilised during the year	**(68)**	**–**	**(68)**
Exchange realignment	**–**	**(19)**	**(19)**
At 31 December 2018	**3,001**	**1,014**	**4,015**

26. 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.

27. 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 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 and 1 January 2018		48,605	163,521	212,126
Charged to the statement of profit or loss during the year	10	3,014	1,017	4,031
Exchange realignment		(930)	(6,728)	(7,658)
At 31 December 2018		50,689	157,810	208,499

27. Deferred Tax (continued)

Deferred tax assets

	Note	Impairment of financial assets HK$'000	Provision and accruals HK$'000	Total HK$'000
At 1 January 2017		–	4,898	4,898
Credit to the statement of profit or loss during the year	10	–	891	891
Exchange realignment		–	58	58
At 31 December 2017 and January 2018		–	5,847	5,847
Effect of adoption of HKFRS 9		72	–	72
At 1 January 2018 (restated)		72	5,847	5,919
Credit to the statement of profit or loss during the year	10	216	720	936
Exchange realignment		(2)	(114)	(116)
At 31 December 2018		286	6,453	6,739

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:

	2018 HK$'000	2017 HK$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	**201,760**	206,279

The Group has tax losses arising in Hong Kong and Vietnam of HK$658,897,000 (2017: HK$622,662,000) and HK$12,876,000 (2017: HK$12,980,000), respectively, that are available indefinitely and for a maximum of five 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.

27. Deferred Tax (continued)

Deferred tax assets (continued)

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in 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 PRC in respect of earnings generated from 1 January 2008.

At 31 December 2018, 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.

28. Share Capital

	2018 **HK$'000**	2017 HK$'000
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 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**505,297,418**	**5,053**

29. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any director (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Scheme became effective on 29 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, no share options were granted under the Scheme.

30. 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 47 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.

31. Notes to the Consolidated Statement 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)

31. Notes to the Consolidated Statement of Cash Flows (continued)

(a) Disposal of subsidiaries (continued)

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) Non-cash transaction

During the year, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the lease of HK$854,000 (2017: Nil).

(c) Changes in liabilities arising from financing activities

	2018		
	Interest-bearing bank loans HK$'000	**Finance lease payables HK$'000**	**Total HK$'000**
At 1 January 2018	**60,000**	**1,509**	**61,509**
Changes from financing cash flows	**(20,417)**	**(730)**	**(21,147)**
New finance lease	**–**	**854**	**854**
At 31 December 2018	**39,583**	**1,633**	**41,216**

	2017		
	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

32. Operating Lease Arrangements

As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from one to five 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 2018, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2018 HK$'000	2017 HK$'000
Within one year	**112,161**	101,741
In the second to fifth years, inclusive	**62,536**	99,310
After five years	**–**	12
	174,697	201,063

33. Commitments

The Group had the following capital commitments at the end of the reporting period:

	2018 HK$'000	2017 HK$'000
Contracted, but not provided for:		
Land	**–**	189,426
Property, plant and equipment	**1,464**	–

34. 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 in prior year:

	2017 HK$'000
Gain on disposal of subsidiaries	740

In 2017, 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 31(a).

34. Related Party Transactions (continued)

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

	2018 HK$'000	2017 HK$'000
Short term employee benefits	**13,412**	12,143
Post-employment benefits	**72**	72
Total compensation paid to key management personnel	**13,484**	12,215

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

35. Financial Instruments by Category

Except for financial assets at fair value through profit or loss, which were measured at fair value, the financial assets and liabilities of the Group as at 31 December 2018 and 2017 were loans and receivables and financial liabilities stated at amortised cost respectively.

36. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts of the Group's financial instruments, other than financial assets 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 prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings 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 interest-bearing bank and other borrowings and 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 2018 was assessed to be insignificant.

37. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings and cash and cash equivalents. 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.

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
2018		
Hong Kong dollar	**100**	**(396)**
Hong Kong dollar	**(100)**	**396**
2017		
Hong Kong dollar	100	(600)
Hong Kong dollar	(100)	600

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 its cement plant to repay loans denominated in United States dollars ("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.

37. 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$'000
2018		
If US$ weakens against VND	**1**	**643**
If US$ strengthens against VND	**(1)**	**(643)**
2017		
If US$ weakens against VND	1	647
If US$ strengthens against VND	(1)	(647)

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.

37. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging as at 31 December 2018

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018.

	12-month ECLs	Lifetime ECLs			
	Stage 1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Simplified approach HK$'000	HK$'000
Trade receivables*	–	–	–	42,529	42,529
Financial assets included in prepayments, other receivables and other assets – normal**	101,196	–	–	–	101,196
Cash and cash equivalents – Not yet past due	258,703	–	–	–	258,703
	359,899	–	–	42,529	402,428

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Maximum exposure as at 31 December 2017

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 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 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.

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

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

	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 2018					
Trade payables	**13,532**	**–**	**–**	**–**	**13,532**
Financial liabilities included in other payables and accruals	**55,546**	**–**	**–**	**–**	**55,546**
Interest-bearing bank and other borrowings (note)	**41,648**	**591**	**352**	**–**	**42,591**
Rental deposits	**–**	**18,015**	**7,246**	**–**	**25,261**
	110,726	**18,606**	**7,598**	**–**	**136,930**

	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	51,449	–	–	–	51,449
Interest-bearing bank and other borrowings (note)	62,113	604	417	–	63,134
Rental deposits	–	10,088	14,278	201	24,567
	120,788	10,692	14,695	201	146,376

37. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Note: Included in interest-bearing bank and other borrowings are certain term loans with an aggregate principal amounts of HK$39,583,000 (2017: HK$50,000,000). 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:

	2018 **HK$'000**
Within one year or on demand	**13,766**
In the second year	**13,301**
In the third to fifth years, inclusive	**14,920**
	41,987

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 2018 and 2017.

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	**2018** **HK$'000**	2017 HK$'000
Interest-bearing bank and other borrowings	24	**41,216**	61,509
Less: Cash and cash equivalents	21	**(258,703)**	(198,434)
Net cash		**(217,487)**	(136,925)
Total equity		**2,370,652**	2,300,705
Gearing ratio		**N/A**	N/A

38. 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:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	**94**	128
Investments in subsidiaries	**837,497**	912,639
Total non-current assets	**837,591**	912,767
CURRENT ASSETS		
Other receivables	**12**	–
Cash and cash equivalents	**13,895**	11,843
Total current assets	**13,907**	11,843
CURRENT LIABILITIES		
Other payables and accruals	**5,411**	5,009
Total current liabilities	**5,411**	5,009
NET CURRENT ASSETS	**8,496**	6,834
TOTAL ASSETS LESS CURRENT LIABILITIES	**846,087**	919,601
NON-CURRENT LIABILITIES		
Provisions	**2,673**	2,741
Total non-current liabilities	**2,673**	2,741
Net assets	**843,414**	916,860
EQUITY		
Issued capital	**5,053**	5,053
Reserves (note)	**838,361**	911,807
Total equity	**843,414**	916,860

38. Statement of Financial Position of the Company

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 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 and 1 January 2018		738,496	23,319	703	149,289	911,807
Total comprehensive loss for the year		–	–	–	(22,916)	(22,916)
2017 final dividend	11	–	–	–	(30,318)	(30,318)
2018 interim dividend	11	–	–	–	(20,212)	(20,212)
At 31 December 2018		738,496	23,319	703	75,843	838,361

39. Comparative Amounts

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

40. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 27 March 2019.

Particulars of Investment Properties

31 December 2018

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 2018

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				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
PROFIT FOR THE YEAR	**143,420**	94,096	106,866	88,531	89,447
Attributable to:					
Owners of the parent	**144,128**	94,417	111,974	89,580	92,526
Non-controlling interests	**(708)**	(321)	(5,108)	(1,049)	(3,079)
	143,420	94,096	106,866	88,531	89,447

Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**2,818,729**	2,765,414	2,675,021	2,605,521	2,748,855
TOTAL LIABILITIES	**(448,077)**	(464,709)	(439,465)	(409,045)	(482,451)
NON-CONTROLLING INTERESTS	**28,309**	29,977	31,416	31,665	30,575
	2,398,961	2,330,682	2,266,972	2,228,141	2,296,979