1. CORPORATE INFORMATION

Luks Industrial (Group) Limited is a limited liability company incorporated in Bermuda. The principal office of the Company is located at 5/F., Cheong Wah Factory Building, No. 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- manufacture and sale of cement
- property investment
- manufacture and sale of traditional Chinese medicine products
- sale of electronic products
- sale of plywood and other wood products
- investment holding

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial assets, which have been measured at fair value. These financial statements are presented in Hong Kong dollars.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2006. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

Notes to Financial Statements (Cont'd)

31 December 2006

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretation has had no material effect on these financial statements.

HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 27 Amendment	Consolidated and Separate Financial Statements: Amendments as a consequence of the Companies (Amendment) Ordinance 2005
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease

The principal changes in accounting policies are as follows:

(a) HKAS 21 The Effects of Changes in Foreign Exchange Rates

Upon the adoption of the HKAS 21 Amendment regarding a net investment in a foreign operation, all exchange differences arising from a monetary item that forms part of the Group's net investment in a foreign operation are recognised in a separate component of equity in the consolidated financial statements irrespective of the currency in which the monetary item is denominated. This change has had no material impact on these financial statements as at 31 December 2006 or 31 December 2005.

(b) HKAS 39 Financial Instruments: Recognition and Measurement

(i) Amendment for financial guarantee contracts

This amendment has revised the scope of HKAS 39 to require financial guarantee contracts issued that are not considered insurance contracts, to be recognised initially at fair value and to be remeasured at the higher of the amount determined in accordance with HKAS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue. The adoption of this amendment has had no material impact on these financial statements.

(ii) Amendment for the fair value option

This amendment has changed the definition of a financial instrument classified as fair value through profit or loss and has restricted the use of the option to designate any financial asset or any financial liability to be measured at fair value through the income statement. The Group had not previously used this option, and hence the amendment has had no effect on the financial statements.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

(b) HKAS 39 Financial Instruments: Recognition and Measurement (Cont'd)

(iii) Amendment for cash flow hedge accounting of forecast intragroup transactions

This amendment has revised HKAS 39 to permit the foreign currency risk of a highly probable intragroup forecast transaction to qualify as a hedged item in a cash flow hedge, provided that the transaction is denominated in a currency other than the functional currency of the entity entering into that transaction and that the foreign currency risk will affect the consolidated income statement. As the Group currently has no such transactions, the amendment has had no effect on these financial statements.

(c) HK(IFRIC)- Int 4 Determining whether an Arrangement contains a Lease

The Group has adopted this interpretation as of 1 January 2006, which provides guidance in determining whether arrangements contain a lease to which lease accounting must be applied. This interpretation has had no material impact on these financial statements.

2.3 IMPACT OF 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.

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2-Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for annual periods beginning on or after 1 January 2007. The revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for annual periods beginning on or after 1 January 2007. The standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Cont'd)

HKFRS 8 shall be applied for annual periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14 Segment Reporting.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 8, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for annual periods beginning on or after 1 March 2006, 1 May 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

Joint ventures

A joint venture is an entity set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture entity and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Joint ventures (Cont'd)

A joint venture is treated as:

(a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control, directly or indirectly, over the joint venture;

(c) an associate, if the Group does not have unilateral or joint control, but holds, directly or indirectly, generally not less than 20% of the joint venture's registered capital and is in a position to exercise significant influence over the joint venture; or

(d) an equity investment accounted for in accordance with HKAS 39, if the Group holds, directly or indirectly, less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture.

Jointly-controlled entities

A jointly-controlled entity is a joint venture that is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated income statement and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the business combination over the Group's interest in the net fair values of the acquirees' identifiable assets acquired, and liabilities and contingent liabilities assumed as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset, initially measured at cost and subsequently at cost less any accumulated impairment losses.

The carrying amount of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with HKAS 14 Segment Reporting.

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.

Where goodwill forms part of a cash-generating unit (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 disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Excess over the cost of business combinations

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of acquisition of subsidiaries (previously referred to as negative goodwill), after reassessment, is recognised immediately in the income statement.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, 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 income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such 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, however 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 impairment loss is credited to the income statement in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a jointly-controlled entity;

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties (Cont'd)

(d) the party is a member of the key management personnel of the Group or its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d); or

(f) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

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 income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment, and where the cost of the item can be measured reliably, the expenditure is capitalised as an additional cost of that asset or as a replacement.

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	18% – 20%
Plant and machinery	4% – 15%
Furniture, fixtures and office equipment	9% – 20%
Computer equipment	18% – 20%
Launch	15%
Motor vehicles	14% – 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 depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment 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 income statement 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 (Cont'd)

Property, plant and equipment and depreciation (Cont'd)

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

Investment properties

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

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

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

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 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 income statement so as to provide a constant periodic rate of charge over the lease terms.

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 income statement on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the income statement 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments and other financial assets

Financial assets in the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group considers whether a contract contains an embedded derivative when the Group first becomes a party to it. The embedded derivatives are separated from the host contract which is not measured at fair value through profit or loss when the analysis shows that the economic characteristics and risks of embedded derivatives are not closely related to those of the host contract.

The Group determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at the balance sheet date.

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.

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 are classified as held for trading if they are acquired for the purpose of sale the near term. Gains or losses on investments held for trading are recognised in the income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are subsequently carried at amortised cost using the effective interest method. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets in listed and unlisted equity securities that are designed as available for sale or are not classified in any of the other two categories. After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates with the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investments and other financial assets (Cont'd)

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the balance sheet date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the impairment loss is recognised in the income statement.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group is collectively assessed 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Group will not be able to collect all of the amounts due under the original terms of an invoice. The carrying amount of the receivables is reduced through the use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of financial assets (Cont'd)

Assets carried at cost

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from equity to the income statement. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised where:

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. 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.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, where the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and other payables, amounts due to directors, an amount due to a related company and interest-bearing loans and borrowings are initially stated at fair value less directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the income statement.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which 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 balance sheets, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

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 balance sheet date 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 income statement.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the income statement, or in equity if it relates to items that are recognised in the same or a different period, directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date 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:

- where the deferred tax liability arises from goodwill or 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 taxable temporary differences associated with investments in subsidiaries, associates and an interest in a joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Income tax (Cont'd)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and an interest in a joint venture, 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 each balance sheet date 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. Conversely, previously unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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 at the balance sheet date.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms; and

(c) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits

Share-based payment transactions

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 payment transactions, 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 fair value is determined by an external valuer using the Black-Scholes model, further details of which are given in note 36 to the financial statements. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company ("market conditions"), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date 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 income statement for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance 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. In addition, an expense is recognised for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

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. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Employee benefits (Cont'd)

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits 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 income statement 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.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of contributed surplus within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

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

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the balance sheet date. All differences are taken to the income statement. 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 determined.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies (Cont'd)

The functional currencies of certain overseas subsidiaries and a jointly-controlled entity are currencies other than the Hong Kong dollar. As at the balance sheet date, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates ruling at the balance sheet date, and their income statements are translated into Hong Kong dollars at the weighted average exchange rates for the year. The resulting exchange differences are included in the exchange fluctuation reserve. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the income statement.

For the purpose of the consolidated cash flow statement, 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

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 that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group.

Impairment assessment for trade receivables

The policy for impairment assessment for trade receivables of the Group is based on the evaluation of collectability and an aging analysis of trade receivables and on the judgement of the management. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group are deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

The carrying amount of trade receivables at 31 December 2006 was approximately HK$24,879,000 (2005: HK$20,091,000).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Cont'd)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2006 was approximately HK$15,842,000 (2005: HK$93,558,000). More details are set out in note 17 to the financial statements.

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 (or subject to different leases or other contracts), adjusted to reflect those differences;

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

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

The principal assumptions for the Group's estimation of the fair value include those related to current market rents for similar properties in the same location and condition, appropriate discount rates, expected future market rents and future maintenance costs.

The carrying amount of investment properties at 31 December 2006 was approximately HK$899,441,000 (2005: HK$657,310,000).

4. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

(a) the cement products segment includes the Group's manufacture and sale of cement products for use in the construction industry;

(b) the property investment segment includes the Group's investments in industrial, commercial and residential premises for their rental income potential;

(c) the traditional Chinese medicine products segment includes the Group's manufacture and sale of traditional Chinese medicine products;

(d) the investment segment includes the Group's investments in and holding of equity investments; and

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

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Group

	Cement products		Property investment		Traditional Chinese medicine products		Investment		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:														
Sales to external customers	**274,602**	231,675	**91,122**	74,452	**4,131**	4,535	**-**	-	**3,889**	2,412	**-**	-	**373,744**	313,074
Intersegment sales	**-**	-	**432**	432	**-**	-	**-**	-	**43,398**	85,131	**(43,830)**	(85,563)	**-**	-
Other income and gains	**1,207**	704	**245,246**	162,228	**23**	17	**824**	14,004	**3,081**	4,250	**-**	-	**250,381**	181,203
Total	**275,809**	232,379	**336,800**	237,112	**4,154**	4,552	**824**	14,004	**50,368**	91,793	**(43,830)**	(85,563)	**624,125**	494,277
Segment results	**78,207**	61,480	**302,334**	203,851	**(85,790)**	(189,537)	**(4,052)**	3,169	**(12,457)**	7,177	**(8,895)**	(20,965)	**269,347**	65,175
Interest income													**5,349**	3,113
Finance costs													**(10,917)**	(6,028)
Share of profits and losses of jointly-controlled entities													**(2,642)**	(3,313)
Profit before tax													**261,137**	58,947
Tax													**(62,886)**	(33,311)
Profit for the year													**198,251**	25,636

Notes to Financial Statements (Cont'd)

31 December 2006

4. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group

	Cement products		Property investment		Traditional Chinese medicine products		Investment		Corporate and others		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Assets and liabilities														
Segment assets	**521,389**	442,940	**915,335**	672,063	**4,126**	99,830	**50,890**	43,056	**19,165**	32,918	**(8,895)**	(20,965)	**1,502,010**	1,269,842
Interests in jointly-controlled entities													**2,824**	2,906
Unallocated assets													**89,211**	78,104
Total assets													**1,594,045**	1,350,852
Segment liabilities	**24,665**	17,913	**71,035**	60,142	**6,435**	9,345	**2,064**	1,473	**50,913**	41,944	**-**	-	**155,112**	130,817
Unallocated liabilities													**220,218**	173,922
Total liabilities													**375,330**	304,739
Other segment information:														
Depreciation	**15,862**	17,067	**190**	899	**536**	518	**1,454**	941	**584**	440	**-**	-	**18,626**	19,865
Capital expenditure	**113,648**	112,317	**865**	121	**159**	188	**1,378**	487	**782**	899	**(8,895)**	(20,965)	**107,937**	93,047
Impairment of goodwill	**-**	-	**-**	-	**77,716**	169,000	**-**	-	**-**	-	**-**	-	**77,716**	169,000
Impairment of an interest in an associate	**-**	-	**-**	-	**-**	-	**3**	3	**-**	-	**-**	-	**3**	3
Impairment of technical know-how	**-**	-	**-**	-	**-**	3,000	**-**	-	**-**	-	**-**	-	**-**	3,000
Impairment of trade receivables	**-**	-	**-**	-	**-**	-	**163**	8,311	**-**	-	**-**	-	**163**	8,311
Impairment of available-for-sale investments	**-**	-	**239**	1,003	**-**	-	**234**	-	**-**	-	**-**	-	**473**	1,003
Fair value gains on investment properties, net	**-**	-	**245,120**	141,096	**-**	-	**-**	-	**-**	-	**-**	-	**245,120**	141,096

4. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments

The following table presents revenue, certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2006 and 2005.

Group

	Vietnam		Mainland China		Hong Kong		Eliminations		Consolidated	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**356,201**	295,446	**6,543**	9,088	**11,000**	8,540	**–**	–	**373,744**	313,074
Other segment information:										
Segment assets	**1,163,354**	922,123	**120,728**	86,663	**318,858**	363,031	**(8,895)**	(20,965)	**1,594,045**	1,350,852
Capital expenditure	**114,864**	113,312	**–**	–	**1,968**	700	**(8,895)**	(20,965)	**107,937**	93,047

5. REVENUE, OTHER INCOME AND GAINS

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

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

	2006	2005
	HK$'000	HK$'000
Revenue		
Sale of cement	**274,602**	231,675
Gross rental income	**91,122**	74,452
Sale of electronic products	**1,309**	1,412
Sale of traditional Chinese medicine products	**4,131**	4,535
Sale of plywood and other wood products	**2,580**	1,000
	373,744	313,074
Other income and gains		
Bank interest income	**5,349**	3,113
Write-back of trade and other payables	**2,928**	34,419
Gain on disposal of items of property, plant and equipment	**328**	46
Gain on disposal of investment properties	**–**	431
Excess over the cost on acquisition of an additional interest in a subsidiary	**–**	3,755
Others	**2,005**	1,456
	10,610	43,220

6. PROFIT BEFORE TAX

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

	Notes	**2006** HK$'000	2005 HK$'000
Cost of inventories sold		**164,023**	147,093
Depreciation	14	**18,626**	19,865
Amortisation of technical know-how**		**–**	500
Recognition of prepaid land lease payments	16	**2,113**	1,058
Research and development costs*		**5,565**	5,193
Auditors' remuneration:			
– Provision for the year		**1,014**	680
– Under provision in the prior year		**143**	–
		1,157	680
Minimum operating lease payments in respect of land and buildings		**481**	816
Employee benefits expense (excluding directors' remuneration (note 8)):			
Wages and salaries		**21,950**	20,589
Equity-settled share option expense		**1,429**	–
Pension scheme contributions		**266**	267
		23,645	20,856
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**2,833**	2,617
Foreign exchange differences, net		**1,223**	3,587
Net rental income		**(88,289)**	(71,835)
Impairment of goodwill*	17	**77,716**	169,000
Impairment of an interest in an associate*		**3**	3
Impairment of technical know-how*		**–**	3,000
Impairment of trade receivables*		**163**	8,311
Impairment of available-for-sale investments*		**473**	1,003

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

** This item is included in "Cost of sales" on the face of the consolidated income statement.

7. FINANCE COSTS

	Group	
	2006	2005
	HK$'000	HK$'000
Interest on bank loans wholly repayable within five years	**10,907**	5,979
Interest on finance leases	**10**	49
	10,917	6,028

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Fees	**800**	700
Other emoluments:		
Salaries and allowances	**6,324**	5,434
Discretionary bonuses	**160**	160
Employee share option benefits	**1,951**	–
Pension scheme contributions	**48**	31
	8,483	5,625
	9,283	6,325

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 36 to the financial statements. The fair value of such options which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' remuneration disclosures.

8. DIRECTORS' REMUNERATION (Cont'd)

(a) Independent non-executive directors

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

	2006	2005
	HK$'000	HK$'000
Liu Li Yuan	**100**	100
Liang Fang	**100**	100
Tam Kan Wing	**100**	8
Chan Yuk Tong	**–**	92
	300	300

There were no other emoluments payables to the independent non-executive directors during the year (2005: Nil).

(b) Executive directors

	Fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Employee share option benefits	Pension scheme contributions	Total remuneration
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2006						
Luk King Tin	**100**	**2,025**	**–**	**470**	**–**	**2,595**
Cheng Cheung	**100**	**1,593**	**–**	**404**	**–**	**2,097**
Luk Yan	**100**	**1,040**	**160**	**404**	**12**	**1,716**
Luk Fung	**100**	**721**	**–**	**269**	**24**	**1,114**
Fan Chiu Tat, Martin	**100**	**945**	**–**	**404**	**12**	**1,461**
	500	**6,324**	**160**	**1,951**	**48**	**8,983**
2005						
Luk King Tin	100	1,950	–	–	–	2,050
Cheng Cheung	100	1,534	–	–	7	1,641
Luk Yan	100	1,040	160	–	12	1,312
Fan Chiu Tat, Martin	100	910	–	–	12	1,022
	400	5,434	160	–	31	6,025

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. HIGHEST PAID EMPLOYEES

The six highest paid employees during the year included five (2005: four) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining one (2005: two) non-director, highest paid employee for the year is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**920**	1,788
Discretionary bonuses	**491**	385
Employee share option benefits	**135**	–
Pension scheme contributions	**–**	24
	1,546	2,197

The number of non-director, highest paid employees whose remuneration fell within the following bands:

	Number of employees	
	2006	2005
	HK$'000	HK$'000
HK$1,000,001 to HK$1,500,000	**–**	2
HK$1,500,001 to HK$2,000,000	**1**	–
	1	2

During the year, share options were granted to non-director, highest paid employee in respect of his service to the Group, further details of which are included in the disclosures in note 36 to the financial statements. The fair value of such options, which has been recognised in the income statement over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director, highest paid employee's remuneration disclosures.

10. TAX

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 HK$'000	2005 HK$'000
Group:		
Current – Hong Kong		
Charge for the year	–	3
Underprovision in prior years	–	7
Current – Elsewhere	11,152	11,167
Deferred (note 34)	51,734	22,134
Total tax charge for the year	62,886	33,311

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

A reconciliation of the tax expense applicable to profit/(loss) before tax using 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 rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

Group – 2006

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Vietnam HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(69,831)		34,399		296,569		261,137	
Tax at the statutory tax rate	(12,220)	(17.5)	11,352	33.0	74,142	25.0	73,274	28.1
Lower tax rate for specific provinces or local tax authority	–	–	(7,920)	(23.0)	(29,890)	(10.0)	(37,810)	(14.5)
Profits and losses attributable to jointly-controlled entities	–	–	357	1.0	390	0.1	747	0.3
Income not subject to tax	(8,029)	(11.5)	–	–	(1,402)	(0.5)	(9,431)	(3.6)
Expenses not deductible for tax	16,488	23.6	4,537	13.2	11,342	3.8	32,367	12.4
Tax losses utilised	–	–	–	–	(358)	(0.1)	(358)	(0.1)
Tax losses not recognised	3,761	5.4	–	–	336	0.1	4,097	1.5
Tax charge at the Group's effective rate	–	–	8,326	24.2	54,560	18.4	62,886	24.1

10. TAX (Cont'd)

Group – 2005

	Hong Kong HK$'000	%	Mainland China HK$'000	%	Vietnam HK$'000	%	Total HK$'000	%
Profit/(loss) before tax	(176,991)		10,807		225,131		58, 947	
Tax at the statutory tax rate	(30,973)	(17.5)	3,565	33.0	33,770	15.0	6,362	10.8
Lower tax rate for specific provinces or local tax authority	–	–	(1,583)	(14.6)	(4,166)	(1.8)	(5,749)	(9.7)
Adjustments in respect of current tax of previous periods	7	–	–	–	–	–	7	–
Profits and losses attributable to jointly-controlled entities	–	–	(1,093)	(10.0)	–	–	(1,093)	(1.9)
Income not subject to tax	(7,122)	(4.0)	(873)	(8.2)	(1,505)	(0.7)	(9,500)	(16.1)
Expenses not deductible for tax	34,227	19.3	985	9.1	10,670	4.8	45,882	77.8
Tax losses utilised	–	–	–	–	(203)	(0.1)	(203)	(0.3)
Tax losses recognised as deferred tax assets	–	–	–	–	(6,419)	(2.9)	(6,419)	(10.9)
Tax losses not recognised	3,821	2.2	–	–	203	0.1	4,024	6.8
Tax charge/(credit) at the Group's effective rate	(40)	–	1,001	9.3	32,350	14.4	33,311	56.5

The share of tax attributable to jointly-controlled entities amounting to HK$ nil (2005: HK$18,000) is included in "Share of profits and losses of jointly-controlled entities" on the face of the consolidated income statement.

11. PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The consolidated profit attributable to equity holders of the parent for the year ended 31 December 2006 includes a loss of HK$13,458,000 (2005: profit of HK$19,375,000) which has been dealt with in the financial statements of the Company (note 37(b)).

12. DIVIDENDS

	2006 HK$'000	2005 HK$'000
Interim – HK3 cents (2005: HK3 cents) per ordinary share	**14,879**	14,721
Proposed final – HK5 cents (2005: HK5 cents) per ordinary share	**25,650**	24,535
	40,529	39,256

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

A diluted earnings per share amount for the year ended 31 December 2005 has not been disclosed as no diluting events existed during that year.

The calculations of basic and diluted earnings per share are based on:

	2006	2005
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**200,343**	22,413

	Number of shares	
	2006	2005
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**493,466,374**	490,705,418
Effect of dilution – weighted average number of ordinary shares:		
Share options	**7,657,104**	–
	501,123,478	490,705,418

Notes to Financial Statements (Cont'd)

31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Launch HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
31 December 2006									
At 31 December 2005 and at 1 January 2006:									
Cost	73,429	2,060	368,666	14,246	894	2,251	13,353	89,751	564,650
Accumulated depreciation	(28,076)	(1,751)	(134,901)	(12,675)	(529)	(2,251)	(9,084)	–	(189,267)
Net carrying amount	45,353	309	233,765	1,571	365	–	4,269	89,751	375,383
At 1 January 2006, net of accumulated depreciation	45,353	309	233,765	1,571	365	–	4,269	89,751	375,383
Additions	487	154	838	284	9	–	1,378	104,787	107,937
Disposals	–	(3)	–	(5)	(4)	–	(202)	(2,188)	(2,402)
Depreciation provided during the year	(800)	(187)	(15,210)	(347)	(98)	–	(1,984)	–	(18,626)
Exchange realignment	(249)	–	(1,267)	(5)	–	–	(16)	(591)	(2,128)
At 31 December 2006, net of accumulated depreciation	44,791	273	218,126	1,498	272	–	3,445	191,759	460,164
At 31 December 2006:									
Cost	73,595	1,653	366,898	14,113	881	2,251	12,818	191,759	663,968
Accumulated depreciation	(28,804)	(1,380)	(148,772)	(12,615)	(609)	(2,251)	(9,373)	–	(203,804)
Net carrying amount	44,791	273	218,126	1,498	272	–	3,445	191,759	460,164

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Group

	Leasehold land and buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Computer equipment	Launch	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
31 December 2005									
At 1 January 2005:									
Cost	69,714	2,062	370,555	14,124	860	2,307	12,968	840	473,430
Accumulated depreciation	(25,787)	(1,709)	(121,387)	(11,764)	(399)	(2,287)	(7,663)	–	(170,996)
Net carrying amount	43,927	353	249,168	2,360	461	20	5,305	840	302,434
At 1 January 2005, net of accumulated depreciation	43,927	353	249,168	2,360	461	20	5,305	840	302,434
Additions	342	180	884	279	36	–	487	90,839	93,047
Disposals and write-off	–	(53)	–	(16)	–	(20)	–	–	(89)
Depreciation provided during the year	(1,854)	(170)	(15,199)	(1,034)	(129)	–	(1,479)	–	(19,865)
Transfers	3,300	–	1,918	–	–	–	–	(1,918)	3,300
Exchange realignment	(362)	(1)	(3,006)	(18)	(3)	–	(44)	(10)	(3,444)
At 31 December 2005, net of accumulated depreciation	45,353	309	233,765	1,571	365	–	4,269	89,751	375,383
At 31 December 2005:									
Cost	73,429	2,060	368,666	14,246	894	2,251	13,353	89,751	564,650
Accumulated depreciation	(28,076)	(1,751)	(134,901)	(12,675)	(529)	(2,251)	(9,084)	–	(189,267)
Net carrying amount	45,353	309	233,765	1,571	365	–	4,269	89,751	375,383

Notes to Financial Statements (Cont'd)

31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company

	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2006				
At 31 December 2005 and at 1 January 2006:				
Cost	63	195	435	693
Accumulated depreciation	(17)	(101)	(172)	(290)
Net carrying amount	46	94	263	403
At 1 January 2006, net of accumulated depreciation	46	94	263	403
Additions	19	7	–	26
Depreciation provided during the year	(33)	(10)	(109)	(152)
At 31 December 2006, net of accumulated depreciation	32	91	154	277
At 31 December 2006:				
Cost	82	202	435	719
Accumulated depreciation	(50)	(111)	(281)	(442)
Net carrying amount	32	91	154	277

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

Company

	Furniture, fixtures and office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
31 December 2005				
At 1 January 2005:				
Cost	42	190	435	667
Accumulated depreciation	(8)	(71)	(63)	(142)
Net carrying amount	34	119	372	525
At 1 January 2005, net of accumulated depreciation	34	119	372	525
Additions	21	4	–	25
Depreciation provided during the year	(9)	(29)	(109)	(147)
At 31 December 2005, net of accumulated depreciation	46	94	263	403
At 31 December 2005:				
Cost	63	195	435	693
Accumulated depreciation	(17)	(101)	(172)	(290)
Net carrying amount	46	94	263	403

Notes to Financial Statements (Cont'd)

31 December 2006

14. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

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

	Group	
	2006	2005
	HK$'000	HK$'000
Situated in Hong Kong:		
Long term leases	**48,136**	48,136
Situated elsewhere:		
Short term leases	**25,459**	25,293
	73,595	73,429

The net book value of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 December 2006 amounted to HK$455,083 (2005: Nil).

At 31 December 2006, certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net book value of approximately HK$36,474,000 (2005: HK$36,739,929) and plant and machinery with an aggregate net book value of approximately HK$192,256,000 (2005: HK$245,418,000) were pledged to secure general banking facilities granted to the Group (note 30).

15. INVESTMENT PROPERTIES

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**657,310**	529,026
Disposals	**–**	(5,160)
Transfer to owner-occupied properties	**–**	(3,300)
Net profit from a fair value adjustment	**245,120**	141,096
Exchange realignment	**(2,989)**	(4,352)
Carrying amount at 31 December	**899,441**	657,310

15. INVESTMENT PROPERTIES (Cont'd)

The investment properties are held under the following lease terms:

	Group	
	2006	2005
	HK$'000	HK$'000
Situated in Hong Kong:		
Long term leases	**12,840**	8,029
Medium term leases	**127,316**	88,061
	140,156	96,090
Situated elsewhere:		
Long term leases	**81,729**	52,015
Medium term leases	**639,442**	474,520
Short term leases	**38,114**	34,685
	759,285	561,220
	899,441	657,310

The investment properties were revalued on 31 December 2006 by independent professionally qualified valuers, on an open market, existing use basis. The investment properties situated in Hong Kong and Mainland China were revalued by Vigers Appraisal & Consulting Limited and the investment properties situated in Vietnam were revalued by CB Richard Ellis (Vietnam) Co Ltd. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 39(a) to the financial statements.

At 31 December 2006, certain of the Group's investment properties situated in Hong Kong with a fair value of approximately HK$112,000,000 (2005: HK$76,800,000) were pledged to secure general banking facilities granted to the Group (note 30).

Further particulars of the Group's investment properties are included on page 96.

16. PREPAID LAND LEASE PAYMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Carrying amount at 1 January	**26,607**	27,665
Recognised during the year	**(2,113)**	(1,058)
Exchange realignment	**(308)**	–
Carrying amount at 31 December	**24,186**	26,607
Current portion included in prepayments, deposits and other receivables	**(2,012)**	(2,113)
Non-current portion	**22,174**	24,494

The leasehold land is held under a medium term lease and is situated in Vietnam.

17. GOODWILL

Group

	2006	2005
	HK$'000	HK$'000
At 1 January:		
Cost	**262,558**	262,375
Accumulated impairment	**(169,000)**	–
Net carrying amount	**93,558**	262,375
Cost at 1 January, net of accumulated impairment	**93,558**	262,375
Acquisition of minority interests (note 38(a))	**–**	183
Impairment during the year	**(77,716)**	(169,000)
Net carrying amount at 31 December	**15,842**	93,558

17. GOODWILL (Cont'd)

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the following cash-generating units, which are reportable segments, for impairment testing:

- Traditional Chinese medicine products cash-generating unit;
- Property investment cash-generating unit; and
- Cement products cash-generating unit.

Traditional Chinese medicine products cash-generating unit

The directors considered for an impairment loss of approximately HK$78 million to be charged to the income statement for the current year due to the slowdown and unfavourable future prospects traditional Chinese medicine products business. The impairment loss was provided based on the estimated recoverable amount of the traditional Chinese medicine products cash-generating unit, which was determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to cash flow projections is 15% (2005: 15%).

Property investment cash-generating unit

The recoverable amount of the property investment cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections is 12% (2005: 12%).

17. GOODWILL (Cont'd)

Impairment testing of goodwill (Cont'd)

Cement products cash-generating unit

The recoverable amount of the cement products cash-generating unit is also determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by the directors. The discount rate applied to the cash flow projections is 6% (2005: 6%).

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
Traditional Chinese medicine products	**–**	77,716
Property investment	**15,659**	15,659
Cement products	**183**	183
	15,842	93,558

The cash flow projections for the cash-generating units are based on the expected gross margins during the budgeted period. Budgeted gross margins have been determined based on past performance and management's expectations for the market development. The discount rates used are before tax and reflect specific risks relating to the relevant units.

18. INTERESTS IN SUBSIDIARIES

	Company 2006 HK$'000	2005 HK$'000
Unlisted shares, at cost	**785,890**	785,890
Due from subsidiaries	**412,469**	377,381
Due to subsidiaries	**(552,675)**	(484,512)
	645,684	678,759
Provision for amounts due from subsidiaries	**(654)**	(518)
	645,030	678,241

The amounts due from and to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of these amounts due from/to subsidiaries approximate to their fair values.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Luks Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US$2	**100**	100	Investment holding
Luks Industrial Company Limited*	Hong Kong	HK$168,048,482	**100**	100	Property investment and investment holding
Luks Industrial (Bao An) Company Limited*#	Mainland China	HK$39,000,000	**100**	100	Property investment
Luks Vietnam Company Limited *	British Virgin Islands/ Hong Kong	US$3	**100**	100	Investment holding

18. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Luks Timber Investments Limited*	Hong Kong	HK$2	**100**	100	Investment holding
Luks Timber (Vietnam) Limited*	Vietnam	VND15,715,698,000	**100**	100	Sale of plywood
Luks Cement Company Limited*	British Virgin Islands/ Hong Kong	US$50,000	**100**	100	Investment holding
Luks Cement (Vietnam) Limited (formerly known as Luks-Vaxi Company Limited)*	Vietnam	VND329,356,867,000	**100**	100	Manufacture and sale of cement
Luks Land Company Limited*	British Virgin Islands/ Hong Kong	US$100	**100**	100	Investment holding
Luks Land (Vietnam) Limited*	Vietnam	VND193,639,051,000	**100**	100	Property investment and management
Prime Wise Investments Limited*	Hong Kong/ Mainland China	HK$2	**100**	100	Property investment
Redmond Investments Limited*	Hong Kong/ Mainland China	HK$2	**100**	100	Property investment
Vigconic (International) Limited*	Hong Kong	HK$400,000	**75**	75	Manufacture and sale of traditional Chinese medicine products

18. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2006	2005	Principal activities
Luks Land Development Limited*	British Virgin Islands/ Hong Kong	US$1	**100**	–	Investment holding
Luks Land Investment Limited*	British Virgin Islands/ Hong Kong	US$1	**100**	–	Investment holding

* Held through subsidiaries

\# Registered as a wholly-foreign-owned enterprise under the PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group 2006 HK$'000	Group 2005 HK$'000
Share of net assets	**24,478**	24,560
Due to a jointly-controlled entity	**(21,654)**	(21,654)
	2,824	2,906

The amount due to the jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment. The carrying amount of the amount due to the jointly-controlled entity approximates to its fair value.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Particulars of the jointly-controlled entities are as follows:

Name	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Chengdu Leming House Development Company Limited*	Mainland China	75	57	75	Property development
Singer (Vietnam) Company Limited#	Vietnam	70	50	70	Sale of home electrical appliances and property investment

* Held through a 68%-owned subsidiary of the Company.

\# Held through a wholly-owned subsidiary of the Company.

The following table illustrates the summarised financial information of the Group's jointly-controlled entities:

	Group 2006 HK$'000	Group 2005 HK$'000
Share of jointly-controlled entities' assets and liabilities:		
Current assets	**34,739**	17,720
Non-current assets	**4,461**	25,619
Current liabilities	**(13,661)**	(17,894)
Non-current liabilities	**(1,061)**	(885)
Net assets	**24,478**	24,560
Share of jointly-controlled entities' results:		
Revenue	**1,084**	7,560
Other income and gains	**2,673**	212
Total revenue	**3,757**	7,772
Total expenses	**(6,399)**	(11,067)
Tax	**–**	(18)
Loss after tax	**(2,642)**	(3,313)

20. INTERESTS IN ASSOCIATES

	Group	
	2006	2005
	HK$'000	HK$'000
Share of net assets	**–**	–
Loans to associates	**27,943**	27,943
	27,943	27,943
Provision for impairment	**(27,943)**	(27,943)
	–	–

The loans to the associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	**Particulars of issued shares held**	**Place of incorporation and operations**	**Percentage of equity attributable to the Group**		**Principal activity**
			2006	2005	
Luks Electronic Company Limited	Ordinary shares of HK$100 each	Hong Kong	**40**	40	Investment holding

The principal associates is indirectly held through a subsidiary

The above table lists the associate of the Group which, in the opinion of the directors, principally affected the results for the year. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group had discontinued the recognition of its share of losses of Luks Electronic Company Limited because the share of losses of this associate exceeded the Group's interest in the associate. The Group's unrecognised share of losses of this associate for the current year and cumulatively was approximately HK$3,000 (2005: HK$3,000) and HK$11,268,000 (2005: HK$11,265,000), respectively.

20. INTERESTS IN ASSOCIATES (Cont'd)

The following table illustrates the summarised financial information of the Group's associates extracted from their management accounts:

	2006	2005
	HK$'000	HK$'000
Assets	**15**	15
Liabilities	**28,075**	28,072
Loss after tax	**3**	3

21. AVAILABLE-FOR-SALE INVESTMENTS

	Group	
	2006	2005
	HK$'000	HK$'000
Listed equity investments, at fair value:		
Overseas	**–**	234
Unlisted equity investments, at fair value:		
Overseas	**657**	761
	657	995

The above investments consist of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted available-for-sale equity investments have been estimated using a valuation technique based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated balance sheet, and the related changes in fair values, which are recorded in the consolidated income statement, are reasonable, and that they were the most appropriate values at the balance sheet date.

22. TIME DEPOSIT

The time deposit is denominated in United States dollars ("USD") with original maturity of two years when acquired. The carrying amount of the time deposit approximates to its fair value.

23. INVENTORIES

	Group	
	2006	2005
	HK$'000	HK$'000
Raw materials	**13,557**	2,193
Work in progress	**1,775**	3,020
Finished goods	**4,164**	8,251
	19,496	13,464

24. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 60 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on the payment due date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**15,000**	10,653
31 – 60 days	**3,487**	4,901
61 – 90 days	**1,486**	883
91 – 120 days	**370**	730
Over 120 days	**4,536**	2,924
	24,879	20,091

The trade receivables of HK$418,000 (2005: HK$200,000) were pledged to secure general banking facilities granted to the Group (note 30).

25. DEBT INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Listed debt investments, at market value:				
Overseas	**1,094**	1,094	**1,094**	1,094

The above debt investments at 31 December 2006 and 2005 classified as held for trading.

26. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**37,420**	38,903	**3,868**	3,461
Time deposits	**73,611**	78,591	**73,611**	78,104
	111,031	117,494	**77,479**	81,565
Less: Pledged time deposits for trade finance facilities	**(20,869)**	(27,351)	**(20,869)**	(27,351)
Cash and cash equivalents	**90,162**	90,143	**56,610**	54,214

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi ("RMB") and Vietnamese Dong ("VND") amounted to approximately HK$2,332,000 (2005: HK$1,107,000) and HK$17,275,000 (2005: HK$15,058,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The carrying amounts of the cash and cash equivalents and the pledged deposits approximate to their fair values.

27. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2006	2005
	HK$'000	HK$'000
0 – 30 days	**11,395**	7,958
31 – 60 days	**324**	1,522
61 – 90 days	**294**	30
91 – 120 days	**21**	7,474
Over 120 days	**7,877**	7,891
	19,911	24,875

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

28. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and have no fixed terms of repayment. The carrying amounts of the amounts due to directors approximate to their fair values.

29. DUE TO A RELATED COMPANY

The amount due to a related company is unsecured, interest-free and is repayable within one year. The carrying amount of the amount due to a related company approximates to its fair value.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Effective interest rate (%)	Maturity	Group **2006** **HK$'000**	2005 HK$'000
Current				
Finance lease payables (note 31)		2007	**221**	–
Bank loans – secured	5.65 – 11.5	2007	**77,198**	58,329
			77,419	58,329
Non-current				
Finance lease payable (note 31)		2008-2009	**275**	–
Bank loans – secured	5.65 – 11.5	2008-2011	**38,144**	62,794
			38,419	62,794
			115,838	121,123
Analysed into:				
Bank loans repayable:				
Within one year			**77,198**	58,329
In the second year			**21,892**	24,524
In the third to fifth years, inclusive			**16,252**	38,270
			115,342	121,123
Other borrowings repayable:				
Within one year			**221**	–
In the second year			**239**	–
In the third to fifth years, inclusive			**36**	–
			496	–
			115,838	121,123

Notes:

(a) At the balance sheet date, the following assets were pledged to secure the above bank loans and general banking facilities granted to the Group:

(i) certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam with an aggregate net book value of approximately HK$36,474,000 (2005: HK$36,739,929);

30. INTEREST-BEARING BANK AND OTHER BORROWINGS (Cont'd)

Notes: (Cont'd)

(a) (ii) certain of the Group's investment properties situated in Hong Kong with an aggregate carrying value of approximately HK$112,000,000 (2005: HK$76,800,000);

(iii) the Group's plant and machinery with an aggregate net book value of approximately HK$192,256,000 (2005: HK$245,418,000); and

(iv) trade receivables of HK$418,000 (2005: HK$200,000).

(b) The secured bank loans are denominated in Hong Kong dollars and United States dollars.

Other interest rate information:

	Group			
	2006		2005	
	Fixed rate HK$'000	**Floating rate HK$'000**	Fixed rate HK$'000	Floating rate HK$'000
Finance lease payables	**496**	**–**	–	–
Bank loans – secured	**92,281**	**23,061**	71,328	49,795

The carrying amounts of the Group's borrowings approximate to their fair values.

31. FINANCE LEASE PAYABLES

The Group leases a motor vehicle. The lease is classified as a finance lease and has remaining lease term of three years.

At 31 December 2006, the total future minimum lease payments under the finance lease and its present value were as follows:

Group

	Minimum lease payments		Present value of minimum lease payments	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Amounts payable:				
Within one year	**250**	–	**221**	–
In the second year	**249**	–	**239**	–
In the third to fifth years, inclusive	**39**	–	**36**	–
Total minimum finance lease payments	**538**	–	**496**	–
Future finance charges	**(42)**	–		
Total net finance lease payables	**496**	–		
Portion classified as current liabilities (note 30)	**(221)**	–		
Non-current portion (note 30)	**275**	–		

32. PROVISIONS

Group

	Long service payments HK$'000	**Environmental restoration** HK$'000	**Total** HK$'000
At 1 January 2006	3,621	589	4,210
Additional provision	147	179	326
Exchange realignment	–	(3)	(3)
At 31 December 2006	3,768	765	4,533

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance, as further explained under the heading "Employee benefits" in note 2.4 to the financial statements. The provision is based on the best estimate of the probable future payments which have been earned by the employees from their service to the Group to the balance sheet date.

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

33. OTHER LONG TERM LIABILITIES

Other long term liabilities are non-interest-bearing and are repayable in two years.

34. DEFERRED TAX

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

Deferred tax liabilities

Group – 2006

	Depreciation allowance in excess of related depreciation HK$'000	**Revaluation of properties HK$'000**	**Total HK$'000**
At 1 January 2006	**231**	**45,290**	**45,521**
Deferred tax charged to the income statement during the year (note 10)	**–**	**51,734**	**51,734**
Gross deferred tax liabilities At 31 December 2006	**231**	**97,024**	**97,255**

Group – 2005

	Depreciation allowance in excess of related depreciation HK$'000	Revaluation of properties HK$'000	Total HK$'000
At 1 January 2005	231	23,205	23,436
Deferred tax charged to the income statement during the year (note 10)	–	22,085	22,085
Gross deferred tax liabilities At 31 December 2005	231	45,290	45,521

34. DEFERRED TAX (Cont'd)

Deferred tax assets

	Losses available for offset against future taxable profit	
	2006	2005
	HK$'000	HK$'000
At beginning of year	**–**	49
Deferred tax charged to the income statement during the year (note 10)	**–**	(49)
Gross deferred tax assets at end of year	**–**	–
Net deferred tax liabilities at end of year	**(97,255)**	(45,521)

The Group has tax losses arising in Hong Kong of approximately HK$491,523,340 (2005: HK$470,033,677) that are available indefinitely, and in Vietnam of approximately HK$2,235,164 (2005: HK$2,380,123), that are available for a maximum of five years for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2006, there was no significant unrecognised deferred tax liability (2005: Nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, associates or jointly-controlled entities as the Group has no liability to additional tax should such amounts be remitted.

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

35. SHARE CAPITAL

	2006	2005
	HK$'000	HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
499,935,418 (2005: 490,705,418) ordinary shares of HK$0.01 each	**4,999**	4,907

During the year, the subscription rights attaching to 9,230,000 share options were exercised at the subscription price of HK$1.21 per share (note 36), resulting in the issue of 9,230,000 shares of HK$0.01 each for a total cash consideration of HK$11,168,300.

Details of the Company's share option scheme and the share options issued under the scheme are included in note 36 to the financial statements.

A summary of the transactions in the Company's issued share capital is as follows:

	Number of shares in issue	**Issued share capital**	**Share premium account**	**Total**
		HK$'000	HK$'000	HK$'000
At 31 December 2005 and 1 January 2006	490,705,418	4,907	198,801	203,708
Share options exercised	9,230,000	92	12,318	12,410
At 31 December 2006	499,935,418	4,999	211,119	216,118

36. 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 the Company's directors, and other employees of the Group. The Scheme became effective on 18 May 2006 and, unless otherwise cancelled or amended, will remain in force for five 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 30% 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 period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

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

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

36. SHARE OPTION SCHEME (Cont'd)

The following share options were outstanding under the Scheme during the year:

Name or category of participant	Number of share options: At 1 January 2006	Number of share options: Granted during the year	Number of share options: Exercised during the year	Number of share options: At 31 December 2006	Date of grant of share options*	Exercise price of share options	Exercise price of share options** HK$ per share	Price of Company's shares***: At grant date of share HK$ per share	Price of Company's shares***: Immediately before the exercise date HK$ per share	Price of Company's shares***: At exercise date of options HK$ per share
Executive directors										
Luk King Tin	–	3,500,000	–	3,500,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	–	–
Cheng Cheung	–	3,000,000	(2,000,000)	1,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	2.66	2.78
Luk Yan	–	3,000,000	–	3,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	–	–
Luk Fung	–	2,000,000	–	2,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	–	–
Fan Chiu Tat, Martin	–	3,000,000	(1,000,000)	2,000,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	3.25	3.18
	–	14,500,000	(3,000,000)	11,500,000						
Other employees										
In aggregate	–	10,000,000	(6,230,000)	3,770,000	23-5-2006	30-5-2006 to 18-5-2011	1.21	1.19	2.05	2.07
In aggregate	–	950,000	–	950,000	25-10-2006	25-10-2006 to 18-5-2011	3.17	3.18	–	–
	–	25,450,000	(9,230,000)	16,220,000						

36. SHARE OPTION SCHEME (Cont'd)

Notes to the share options outstanding during the year:

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options is the weighted average of the Stock Exchange closing prices immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

The fair value of the share options granted during the year was HK$3,953,000 of which the Group recognised a share option expense of HK$3,380,000 during the year ended 31 December 2006.

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the year ended 31 December 2006:

Dividend yield (%)	2.04-6.98%
Expected volatility (%)	33.72-55.05%
Historical volatility (%)	33.72-55.05%
Risk-free interest rate (%)	3.80-4.64%
Expected life of option (year)	0.80-2.00
Weighted average share price (HK$)	2.05

The expected life of the options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

36. SHARE OPTION SCHEME (Cont'd)

The 9,230,000 share options exercised during the year resulted in the issue of 9,230,000 ordinary shares of the Company and new share capital of HK$92,300 and share premium of HK$12,318,000, as further detailed in note 35 to the financial statements.

At the balance sheet date, the Company had 16,220,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 16,220,000 additional ordinary shares of the Company and additional share capital of HK$162,200 and share premium of HK$19,464,000 (before issue expenses).

Subsequent to the balance sheet date, on 1 February 2007, a total of 2,350,000 share options were granted to certain of the employees of the Company in respect of their services to the Group in the forthcoming year. These share options vest on 1 February 2007 and have an exercise price of HK$5.04 per share and an exercise period ranging from 1 February 2007 to 18 May 2011. The price of the Company's shares at the date of grant was HK$5.04 per share.

At the date of approval of these financial statements, the Company had 5,500,000 share options outstanding under the Scheme, which represented approximately 1.07% of the Company's shares in issue as at that date.

37. 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 pages 24 to 25 of the financial statements.

The contributed surplus of the Group derives from 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.

Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's associates and jointly-controlled entity which are incorporated in the PRC has been transferred to reserve funds which may only be utilised by the Group in accordance with relevant legislation.

Notes to Financial Statements (Cont'd)

31 December 2006

37. RESERVES (Cont'd)

(b) Company

	Notes	Share premium account HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Proposed final dividend HK$'000	Total HK$'000
At 1 January 2005		198,801	591,815	–	(24,720)	24,535	790,431
Profit for the year		–	–	–	19,375	–	19,375
Final 2004 dividend declared		–	–	–	–	(24,535)	(24,535)
Interim 2005 dividend	12	–	(14,721)	–	–	–	(14,721)
Proposed final 2005 dividend	12	–	(24,535)	–	–	24,535	–
At 31 December 2005		198,801	552,559	–	(5,345)	24,535	770,550
Equity-settled share option arrangements		–	–	3,380	–	–	3,380
Issue of shares		12,318	–	(1,242)	–	–	11,076
Loss for the year		–	–	–	(13,458)	–	(13,458)
Final 2005 dividend declared		–	–	–	–	(24,535)	(24,535)
Interim 2006 dividend	12	–	(14,879)	–	–	–	(14,879)
Proposed final 2006 dividend	12	–	(25,650)	–	–	25,650	–
At 31 December 2006		211,119	512,030	2,138	(18,803)	25,650	732,134

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the reorganisation referred to in note 37(a), over the nominal value of the Company's shares issued in exchange therefore. Under the Companies Act 1981 of Bermuda, a company may make distributions to its members out of the contributed surplus in certain circumstances.

38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Acquisition of minority interests

	Notes	**2006** **HK$'000**	2005 HK$'000
Fair value of net assets acquired:			
Minority interests		–	62,004
Exchange fluctuation reserve		–	(1,161)
		–	60,843
Goodwill on acquisition	17	–	183
Excess over the cost on acquisition of an additional interest in a subsidiary	5	–	(3,755)
Satisfied by cash and other long term liabilities		–	57,271
Satisfied by:			
Cash (including cash paid for cost directly attributable to the acquisition of approximately HK$6,571,000)		–	52,591
Other long term liabilities		–	4,680
		–	57,271

The carrying amount of the minority interests acquired approximates to its fair value.

(b) Major non-cash transactions

(i) For the year ended 31 December 2006, the Group entered into a finance lease arrangement in respect of property, plant and equipment with capital value at the inception at the lease of HK$508,000.

(ii) For the year ended 31 December 2005, the ordinary shares of a subsidiary of the Group were issued to the minority shareholders of the subsidiary, which were a director of the Company and a company held by the director, as settlement of the amounts due to directors and a related company of approximately HK$8,000 and HK$15,397,000, respectively.

39. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms ranging from one to 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 2006, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**69,300**	60,773
In the second to fifth years, inclusive	**41,056**	35,548
	110,356	96,321

(b) As lessee

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

At 31 December 2006, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006	2005
	HK$'000	HK$'000
Within one year	**789**	942
In the second to fifth years, inclusive	**2,204**	2,107
After five years	**24,345**	24,702
	27,338	27,751

40. COMMITMENTS

In addition to the operating lease arrangements detailed in note 39(b) above, the Group had the following capital commitments at the balance sheet date:

	2006	2005
	HK$'000	HK$'000
Authorised and contracted for items of property, plant and equipment	**36,017**	51,312
Commitment on capital contribution to a proposed joint venture	**15,600**	–
Total capital commitments	**51,617**	51,312

41. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group:

	2006	2005
	HK$'000	HK$'000
Short term employee benefits	**9,495**	8,557
Post-employment benefits	**60**	67
Share-based payments	**2,086**	–
Total compensation paid to key management personnel	**11,641**	8,624

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

42. CONTINGENT LIABIITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		**Company**	
	2006	2005	**2006**	2005
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**30,000**	30,000

The Company has executed guarantees totalling HK$30,000,000 (2005: HK$30,000,000), with respect to banking facilities made available to its subsidiaries, of which HK$20,500,000 (2005: HK$26,500,000) were utilised as at 31 December 2006.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

The main risks arising from the Group's financial instruments are cash flow 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.

Cash flow 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 cash flow interest rate risk exposure should the need arise.

Foreign currency risk

The Group is exposed to the risk of fluctuation in exchange rate for its investments in Vietnam. As VND is a restricted currency and thus hedging instruments are in lack of. In order to minimise exposure to the exchange risk, the cement plant of the Group makes use of its surplus cashflow and local banks' borrowings of VND to repay loans denominated in USD, especially the loan due to the parent company. Besides, most of the expenditures of the cement plant are in VND. For the investment properties situated in Vietnam, over 90% of the leasing contracts are denominated in USD, whereas most of its expenditures are in VND. Management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency risk should the need arise.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

Credit risk

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

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents and available-for-sale financial assets, arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity risk

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

44. POST BALANCE SHEET EVENTS

(a) On 5 January 2007, Luks Land Development Limited ("LLD"), a wholly-owned subsidiary of the Company, entered into a conditional Memorandum of Understanding (the "Memorandum") with Hong Phuc Investment and Trading Joint Stock Company ("Hong Phuc") to establish a joint venture company (the "JVC") in Vietnam with a proposed share capital of US$9.5 million.

Hong Phuc, being the owner of a land area of approximately 9,935 square metres located in Vietnam, shall contribute the land use right of the land area valued at US$0.95 million representing 10% of share capital of the proposed JVC. The land use right of the land area will be transferred to the JVC upon the grant of the license by the relevant authorities of Vietnam for the formation of the JVC.

LLD shall issue and deliver an irrevocable, non-transferable and non-assignable bank payment guarantee in Vietnam of US$0.95 million to Hong Phuc for a period of 270 days to guarantee against the unilateral withdrawal and termination of the Memorandum by LLD. The guarantee will be released or extended in accordance with the terms of the Memorandum.

(b) On 5 February 2007, Best Deluxe Assets Limited, a wholly-owned subsidiary of the Company, entered into two conditional agreements with China National Aero-Technology Import and Export Corporation Beijing Company ("China National Aero-Technology") in connection with the purchase of cement production equipment namely, (i) the facilities of a 3,000 tonnes per day clinkers' production line and (ii) the facilities of a 1.5 million tonnes per year cement girding mill, both to be installed in Vietnam at an aggregate consideration of US$25,556,000. It is expected that China National Aero-Technology will complete the installation of the facilities of the cement production equipment by the second quarter of 2008.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16 April 2007.