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LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司

(incorporated in Bermuda with limited liability)

(Stock code: 366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board of directors (the "Board") of Luks Group (Vietnam Holdings) Company Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company's audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

		Six months ended 30 June	
		2017	2016
	Notes	(Unaudited) HK\$'000	(Unaudited) HK\$'000
REVENUE	4	347,732	316,268
Cost of sales		<u>(220,877)</u>	<u>(207,775)</u>
Gross profit		126,855	108,493
Other income and gains, net	4	3,527	4,753
Selling and distribution expenses		(35,355)	(23,996)
Administrative expenses		(32,182)	(31,138)
Other expenses		(549)	-
Finance costs	5	<u>(539)</u>	<u>(438)</u>
PROFIT BEFORE TAX	6	61,757	57,674
Income tax expense	7	<u>(15,794)</u>	<u>(14,322)</u>
PROFIT FOR THE PERIOD		45,963	43,352
Attributable to:			
Owners of the parent		44,354	42,992
Non-controlling interests		<u>1,609</u>	<u>360</u>
		45,963	43,352
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK8.8 cents</u>	<u>HK8.5 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>45,963</u>	<u>43,352</u>
OTHER COMPREHENSIVE INCOME:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>11,316</u>	<u>13,227</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD	<u>11,316</u>	<u>13,227</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>57,279</u>	<u>56,579</u>
Attributable to:		
Owners of the parent	57,802	57,123
Non-controlling interests	<u>(523)</u>	<u>(544)</u>
	<u>57,279</u>	<u>56,579</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

		30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,408,425	1,337,298
Investment properties		959,030	951,568
Prepaid land lease payments		527	1,075
Investment in a joint venture		-	-
Properties for development		32,311	32,074
Deposits		33,678	33,534
Total non-current assets		2,433,971	2,355,549
CURRENT ASSETS			
Inventories		66,211	68,721
Trade receivables	10	58,969	31,375
Prepayments, deposits and other receivables		12,259	10,334
Equity investments at fair value through profit or loss		58	58
Cash and cash equivalents		196,143	208,984
Total current assets		333,640	319,472
CURRENT LIABILITIES			
Trade payables	11	23,274	5,896
Other payables and accruals		135,837	138,625
Due to a director		516	516
Due to a related company		4,380	4,380
Interest-bearing bank and other borrowings		80,524	44,025
Tax payable		24,927	20,825
Total current liabilities		269,458	214,267
NET CURRENT ASSETS		64,182	105,205
TOTAL ASSETS LESS CURRENT LIABILITIES		2,498,153	2,460,754

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*30 June 2017*

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,498,153	2,460,754
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	1,244	1,509
Rental deposits	21,661	13,960
Provisions	4,159	4,157
Deferred tax liabilities	208,572	205,572
Total non-current liabilities	235,636	225,198
Net assets	2,262,517	2,235,556
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,053	5,053
Reserves	2,289,403	2,261,919
	2,294,456	2,266,972
Non-controlling interests	(31,939)	(31,416)
Total equity	2,262,517	2,235,556

Notes:

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Group are described in note 3 below.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has fully assessed and adopted, to the extent that is relevant to the Group, the following revised HKFRSs for the first time for the current period's unaudited interim condensed consolidated financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12	<i>Disclosure of Interests in Other Entities</i>
included in <i>Annual Improvements</i> <i>2014-2016 Cycle</i>	

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

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

3. OPERATING SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2017 and 2016.

	Cement products		Property investment		Property development		Corporate and others		Consolidated	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	285,724	257,020	56,826	54,801	-	-	5,182	4,447	347,732	316,268
Other income and gains, net	1,381	2,618	(238)	555	130	148	(10)	585	1,263	3,906
	287,105	259,638	56,588	55,356	130	148	5,172	5,032	348,995	320,174
Segment results	33,655	31,825	42,121	39,500	(1,172)	(437)	(15,111)	(14,061)	59,493	56,827
<i>Reconciliation:</i>										
Interest income									2,264	847
Profit before tax									61,757	57,674
Income tax expense	(6,776)	(5,925)	(9,018)	(8,397)	-	-	-	-	(15,794)	(14,322)
Profit for the period									45,963	43,352

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sale of cement	285,724	257,020
Gross rental income	56,826	54,801
Sale of electronic products	5,182	4,447
	347,732	316,268
Other income and gains, net		
Interest income	2,264	847
Foreign exchange gains, net	459	1,163
Gain on disposal of items of property, plant and equipment, net	-	1,650
Gain on disposal of scrap materials	660	381
Others	144	712
	3,527	4,753

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	488	399
Interest on finance leases	51	39
	539	438

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	213,706	200,160
Depreciation	23,159	24,967
Amortisation of land lease payments	645	1,039
Loss/(gain) on disposal of items of property, plant and equipment, net	549	(1,650)

7. INCOME TAX

No provision for Hong Kong profits tax has been made (six months ended 30 June 2016: Nil) on the estimated assessable profits arising in Hong Kong during the period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current charge for the period		
Elsewhere	14,096	13,158
Underprovision in prior years		
Elsewhere	447	-
Deferred	1,251	1,164
Total tax charge for the period	15,794	14,322

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

The calculation of basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 505,297,418 (six months ended 30 June 2016: 505,297,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2017 and 2016 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. DIVIDEND

	Six months ended 30 June 2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interim – HK5 cents (six months ended 30 June 2016: HK4 cents) per ordinary share	25,265	20,212

10. 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 end of the reporting period, based on the invoice date, and net of impairment, is as follows:

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0 to 30 days	50,015	20,801
31 to 60 days	4,314	5,701
61 to 90 days	422	1,126
91 to 120 days	178	756
Over 120 days	4,040	2,991
	58,969	31,375

11. TRADE PAYABLES

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

	30 June 2017 (Unaudited) HK\$'000	31 December 2016 (Audited) HK\$'000
0 to 30 days	21,952	4,015
31 to 60 days	1,058	1,332
61 to 90 days	71	25
91 to 120 days	-	22
Over 120 days	193	502
	23,274	5,896

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

For the first half of 2017, the Group's businesses in Vietnam were seen growing in a steady pace, along with the stable economic situation of Vietnam. Vietnam's GDP recorded a 5.73% growth during the first six months of 2017. A rebound of agricultural production, strong domestic consumption and an increase in manufacturing sector for export were the major engines for the economic growth. The government targeted to reach 6.7% growth for the full year of 2017. Despite the fact that the IMF has, in its recent report, lowered Vietnam GDP growth forecast for 2017 to 6.3%, partly attributed to the seemingly failure of the USD-led Trans Pacific Partnership, Vietnam's economic growth still looks promising in the second half of 2017.

Vietnam's inflation remained under control with the consumer price index rising 2.54% in June 2017 from a year earlier. The government aimed to control the average inflation rate to around 4% for 2017. Vietnam had attracted 19.22 billion US dollars in foreign direct investments ("FDI") in the first half of 2017, a remarkably increase of 54.8% comparing to the same period last year. Yet, a large portion of the FDI went to the processing and manufacturing sector for export. On the trade side, export and import grew by 19% and 24% respectively. A trade deficit of USD 2 billion was recorded as a result of a comparatively stronger import growth. The currency of Vietnam was stable against the US dollar throughout the period.

For the six months ended June 30 2017, the Group's turnover amounted to HK\$347,732,000, representing an increase of approximately 10% as compared to HK\$316,268,000 for the corresponding period of last year. The Group's turnover mainly came from the cement business and the property investment business. The cement business recorded a turnover of HK\$285,724,000, representing an increase of 11.2% as compared to that of last year. While the property investment business recorded a turnover of HK\$56,826,000, representing an increase of 3.7% as compared to that of last year.

The Group recorded an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent of HK\$44,354,000 for the first half of 2017, representing an increase of 3.2% as compared to HK\$42,992,000 of the same period last year. The basic earnings per share for the first six months of 2017 were HK8.8 cents per share (corresponding period for first six months of 2016: HK8.5 cents).

Cement Business

With the momentum of construction activities remained strong, domestic demand for cement continued on an upward trend in the first half of 2017. However, situation of oversupply in the Vietnam cement market still persisted. In particular, the export of cement and clinkers faced keen competitions from China, Thailand and Indonesia. The Ministry of Planning and Investment ("MPI") of Vietnam recently proposed to reduce its cement export tax in order to boost cement export, so as to help ease the oversupply situation in the cement market.

In the first half of 2017, cement and clinker sales of the Group's cement plant recorded a total of 767,000 tons, a year-on-year increase of approximately 11.2%. The profit after tax for the first half of 2017 was HK\$28,042,000, representing an increase of 6.7% when comparing to the same period last year.

Although real estate market was seen slowing down from its boom in 2016, construction activities remained robust in central Vietnam. The Group's cement plant recorded a double digit growth in its sales and production of cement and clinkers during the period, mainly attributable to an increase in sales to infrastructure projects. Yet, profit margin for cement sales to infrastructure projects was generally lowered than that of retail sales for domestic uses. And together with the additional transportation costs incurred for cement delivery to construction sites, the percentage of profit growth was, therefore, relatively lower than that of the growth in sales.

Furthermore, the Group continued its strategy to expand its cement sales to the southern market. With an increase in both promotion and transportation expenses, the profit margin for the sales was slightly dragged down as a result.

Yet, since total production quantity increased, gross profit margin per ton of cement improved in the first half of 2017. Moreover, thanks to the low inflation rate, costs of production in general remained stable during the period.

Looking forward, the cement sales of the Group's cement plant shall be expected to maintain in a steady pace in the second half of 2017 and a mild growth shall be expected its performance for the full year of 2017.

Vietnam Property Investment and Development

During the first six months of 2017, the market for office leasing in Ho Chi Minh City generally improved, with both occupancy rate and rental rate recording obvious growth. The main reasons were an increase in newly-registered foreign enterprises in Vietnam as well as a limited supply of office spaces in the first half of 2017. In the first six months, Vietnam recorded a substantial increase in FDI comparing to the same period last year. In which, Japan, South Korea and Singapore were the top three countries investing in Vietnam.

As at 30 June 2017, the lease-out rate of Saigon Trade Center was 77%, significantly improved from the rate of 72% recorded in 31 December of 2016. The overall rental income of the Saigon Trade Center also showed an increase of about 4% when comparing to the same period last year.

Foreseeing the second half of 2017, there is only a few new supply of office spaces entering the market, whereas on the other hand, demand for office spaces is still seen on a rising trend. As such, for the full year of 2017, performance of the Group's Saigon Trade Center shall also be expected to have a mild growth from the previous year.

Hong Kong Hotel Project and Other Investment Properties

After three years of renovation, the Group is pleased to announce that **PENTAHOTEL HONG KONG, TUEN MUN**, a 298-room hotel owned by the Group has been put into operation since July 2017. The hotel was transformed from the former Luks Industrial Building in Tuen Mun. The location of the hotel is in close proximity to Tuen Mun MTR-West Rail Terminal, giving an easy access to and from the city and Shenzhen while also benefiting from the future Hong Kong-Zhuhai-Macau Bridge.

The hotel is currently managed and operated by Pentahotel Management Group, a member of Rosewood Hotel Group, which is a prestigious hotel management group in the world.

With the opening of the hotel in Hong Kong, the Group will have more diversified income streams from various business sectors and geographical locations.

Dividend

The Board of Directors resolved to pay an interim dividend of HK5 cents to shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2017 amounted to HK\$196,143,000 (31 December 2016: HK\$208,984,000). The Group's total borrowings amounted to HK\$81,768,000 (31 December 2016: HK\$45,534,000), of which HK\$80,524,000 (31 December 2016: HK\$44,025,000) was repayable within 1 year. All of the Group's borrowings were denominated in HK\$. Of the total borrowings, about 2.2% were at fixed interest rates.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0% as at 30 June 2017 (31 December 2016: 0%).

Employees and Remuneration Policy

As at 30 June 2017, the Group had approximately 1,020 employees. Most of them were working in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$31,175,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2016.

Details of charges

As at 30 June 2017, the Group pledged a hotel property under construction situated in Hong Kong included in construction in progress with an aggregate carrying amount of HK\$793,956,000 to secure banking facilities.

Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The relatively high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. All borrowings of the Group's cement plant from the parent company and other intra-group companies are denominated in USD, resulting in the Group's cement plant exposure to foreign exchange risk of VND depreciation. The exchange rate of VND to HKD recorded an appreciation of 1% as at 30 June 2017 when compared to the rate as at 31 December 2016. The Group recorded an exchange gain of HK\$459,000 during the period.

Details of contingent liabilities

As at 30 June 2017, the Group had no significant contingent liabilities (31 December 2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 20 September 2017 to Friday, 22 September 2017, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 19 September 2017. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Friday, 22 September 2017 on or before Friday, 6 October 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. During the accounting period of the financial statements, the roles of Chairman and Chief Executive Officer of the Company were performed by Madam Cheng Cheung. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) In respect of code provision A.6.7, Mr. Lam Chi Kuen attended the annual general meeting of the Company held on 25 May 2017 and Mr. Liang Fang and Mr. Liu Li Yuan did not attend the annual general meeting due to their other business commitments.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Liang Fang (Chairman), Mr. Liu Li Yuan and Mr. Lam Chi Kuen. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed and confirmed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2017.

CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company, which they have complied with the Model Code during the period between 1 January 2017 and 30 June 2017.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Company (www.luks.com.hk) and the designated issuer website of the Stock Exchange (www.hkexnews.hk).

The interim report of the Company for the six months ended 30 June 2017 will be dispatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board
Luks Group (Vietnam Holdings) Co., Ltd.
Cheng Cheung
Chairman

Hong Kong, 22 August 2017

As at the date of this announcement, the Board of Directors comprises Ms. Cheng Cheung, Mr. Luk Yan, Mr. Fan Chiu Tat, Martin, Mr. Luk Fung, and Ms. Luk Sze Wan, Monsie (who are executive directors), and Mr. Liu Li Yuan, Mr. Liang Fang and Mr. Lam Chi Kuen (who are independent non-executive directors).