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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

The Board of Directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2018. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2018

	Notes	**2018 HK$’000**	2017 HK$’000
REVENUE	*3*	**723,805**	665,072
Cost of sales		**(481,470)**	(431,106)
Gross profit		**242,335**	233,966
Other income and gains	*3*	**5,304**	6,313
Reversal of impairment of a deposit made in prior years		**87,976**	-
Fair value gains/(losses) on investment properties, net		**(703)**	34,272
Selling and distribution expenses		**(69,316)**	(75,820)
Administrative expenses		**(83,437)**	(72,484)
Other expenses		**(7,372)**	(548)
Finance costs	*5*	**(1,935)**	(1,383)
PROFIT BEFORE TAX	*4*	**172,852**	124,316
Income tax expense	*6*	**(29,432)**	(30,220)
PROFIT FOR THE YEAR		**143,420**	94,096
Attributable to:			
Owners of the parent		**144,128**	94,417
Non-controlling interests		**(708)**	(321)
		143,420	94,096
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK 28.5 cents**	HK 18.7 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,170,196**	1,228,161
Investment properties		**1,130,015**	1,146,947
Prepaid land lease payments		**11,645**	12,893
Properties for development		**29,782**	31,401
Prepayments		**4,812**	-
Total non-current assets		**2,346,450**	2,419,402
CURRENT ASSETS			
Inventories		**67,739**	63,264
Trade receivables	*9*	**42,529**	37,077
Prepayments, other receivables and other assets		**103,251**	47,178
Financial assets at fair value through profit or loss		**57**	59
Cash and cash equivalents		**258,703**	198,434
Total current assets		**472,279**	346,012
CURRENT LIABILITIES			
Trade payables	*10*	**13,532**	7,226
Other payables and accruals		**139,520**	139,258
Interest-bearing bank and other borrowings		**40,315**	60,538
Tax payable		**22,773**	21,769
Total current liabilities		**216,140**	228,791
NET CURRENT ASSETS		**256,139**	117,221
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,602,589**	2,536,623

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2018

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

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand ("**HK$'000**") except when otherwise indicated.

1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

Except for as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in the Group's consolidated financial statements.

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

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

Classification and measurement

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

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

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

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

3 FVPL: Financial assets at fair value through profit or loss

Note:

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

Impairment

The following table reconciles the aggregate opening impairment allowances under HKAS 39 to the ECL allowances under HKFRS 9.

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

Impact on reserves and retained profits

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

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

(b) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

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

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

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

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

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

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

Except for the above disclosures, none of the above new and revised HKFRSs has had a significant financial effect on the financial statements.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

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

(b) the property investment segment represents the Group's investments in industrial, commercial and residential premises for their rental income potential and provision of property management and related services;

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

(d) the hotel operation segment represents the Group's hotel business; and

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

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

Business segments

Year ended 31 December	Cement products 2018 HK$'000	Cement products 2017 HK$'000	Property investment 2018 HK$'000	Property investment 2017 HK$'000	Hotel operation 2018 HK$'000	Hotel operation 2017 HK$'000	Property development 2018 HK$'000	Property development 2017 HK$'000	Corporate and others 2018 HK$'000	Corporate and others 2017 HK$'000	Consolidated 2018 HK$'000	Consolidated 2017 HK$'000
Segment revenue (note 3)**:**												
Sales to external customers	**509,673**	511,166	**133,023**	119,525	**69,171**	23,633	**-**	-	**11,938**	10,748	**723,805**	665,072
Other income and gains	**71**	25	**394**	108	**-**	-	**-**	-	**6**	740	**471**	873
											724,276	665,945
Segment results	**27,391**	49,842	**97,951**	123,728	**(9,605)**	(21,532)	**83,825**	(2,921)	**(31,543)**	(30,241)	**168,019**	118,876
Reconciliation:												
Interest income											**4,833**	5,440
Profit before tax											**172,852**	124,316
Income tax expense	**(6,562)**	(10,787)	**(22,858)**	(19,362)	**-**	-	**-**	-	**(12)**	(71)	**(29,432)**	(30,220)
Profit for the year											**143,420**	94,096
Segment assets	**688,758**	727,931	**1,341,095**	1,298,766	**616,684**	648,866	**138,652**	66,717	**33,540**	23,134	**2,818,729**	2,765,414
Total assets											**2,818,729**	2,765,414
Segment liabilities	**89,910**	83,320	**238,925**	231,352	**83,575**	119,990	**13,606**	14,754	**22,061**	15,293	**448,077**	464,709
Total liabilities											**448,077**	464,709
Other segment information:												
Depreciation and amortisation	**41,645**	42,739	**2,485**	1,914	**25,902**	12,333	**2,597**	1,240	**34**	51	**72,663**	58,277
Capital expenditure	**8,067**	8,040	**13,136**	2,881	**1,951**	79,361	**-**	-	**-**	5	**23,154**	90,287
Impairment of trade receivables	**1,082**	181	**-**	-	**19**	-	**-**	-	**-**	-	**1,101**	181
Fair value losses / (gains) on investment properties, net	**-**	-	**703**	(34,272)	**-**	-	**-**	-	**-**	-	**703**	(34,272)
Loss / (gain) on disposal of items of property, plant and equipment, net	**-**	576	**-**	(468)	**-**	-	**-**	-	**-**	-	**-**	108
Reversal of impairment of a deposit made in prior years	**-**	-	**-**	-	**-**	-	**87,976**	-	**-**	-	**87,976**	-
Gain on disposal of subsidiaries	**-**	-	**-**	-	**-**	-	**-**	-	**-**	740	**-**	740

Geographical information

(a) Revenue from external customers

	2018 HK$'000	2017 HK$'000
Vietnam	**627,308**	617,857
Hong Kong	**87,210**	39,305
People's Republic of China ("PRC")	**9,287**	7,910
	723,805	665,072

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

(b) Non-current assets

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

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

Information about major customers

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

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

* Less than 10% of the Group's revenue

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

3. REVENUE, OTHER INCOME AND GAINS

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

	2018 HK$'000	2017 HK$'000
Revenue from contracts with customers		
Sale of cement	**509,673**	511,166
Sale of electronic products	**11,938**	10,748
Rendering of property management and related services	**34,276**	31,341
Rendering of hotel and related services	**69,171**	23,633
Revenue from other sources		
Gross rental income	**98,747**	88,184
	723,805	665,072
Other income and gains		
Interest income	**4,833**	5,440
Gain on disposal of subsidiaries	**-**	740
Others	**471**	133
	5,304	6,313

4. PROFIT BEFORE TAX

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

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

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

** For the year ended 31 December 2018, depreciation and employee benefit expense of HK$99,524,000 (2017: HK$87,936,000) are included in "cost of sales" on the face of the consolidated statement of profit or loss.

5. FINANCE COSTS

An analysis of finance costs is as follows:

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

6. INCOME TAX

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

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

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

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

In accordance with the relevant tax rules and regulations in Vietnam, certain of the Group's subsidiaries in Vietnam enjoy income tax exemptions and reductions. At present, the income tax rates applicable to these subsidiaries are 15% and 20%.

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

7. DIVIDENDS

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

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 505,297,418 (2017: 505,297,418) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2018 and 2017.

9. TRADE RECEIVABLES

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

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 30 to 60 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables.

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

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

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

10. TRADE PAYABLES

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

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

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

BUSINESS REVIEW AND OUTLOOK

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

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

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

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

Cement Business

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

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

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

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

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

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

Property Investment

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

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

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

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

Property Development

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

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

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

Hotel Business

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

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

Dividend

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

FINANCIAL REVIEW

Liquidity and Financial Resources

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

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

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

Significant investments held

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

Details of charges

As at 31 December 2018, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK$593,792,000 and certain investment properties with fair value of HK$153,000,000 were pledged to secure the above bank loans and general banking facilities granted to the Group.

Exposure to fluctuations in exchange rates and related hedges

The Group is exposed to the risk of exchange rate fluctuations in Vietnamese Dong ("VND") for its investments in Vietnam, especially the income and foreign currency loans of the cement plant, as well as the income of Saigon Trade Center. The exchange rate of VND to HKD recorded a slight depreciation of 1.9% as at 31 December 2018 when compared to the rate as at 31 December 2017. The Group recorded an exchange loss of HK$6,247,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited and is not cost efficient to do so. The interest deviation between VND and HKD is also a barrier for setting up an effective hedge for the VND devaluation. As such, the Group has not employed any currency hedging instrument during the financial year.

Details of contingent liability

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

Employees and Remuneration Policy

As at 31 December 2018, the Group had approximately 1,200 employees, of which over 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$65,536,000 for the year ended 31 December 2018 (31 December 2017: HK$64,635,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Environmental, Social and Corporate Responsibility

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

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

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommended a final dividend of HK6 cents (2017: HK6 cents) per share and the Register of Members of the Company will be closed for the following periods:

(a) To ascertain shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Tuesday 21 May 2019 to Friday 24 May 2019, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Monday 20 May 2019.

(b) To ascertain shareholder's entitlement to the proposed final dividend upon the passing of the resolution no. 2 set out in the notice of the Annual General Meeting, the register of members of the Company will be closed from Friday 31 May 2019 to Tuesday 4 June 2019, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Thursday 30 May 2019.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Tuesday, 4 June 2019 and the payment date of the dividend is expected to be Tuesday, 18 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system. The Company adopted the Code on Corporate Governance as stated in Appendix 14 of the Listing Rules.

Throughout the financial year ended 31 December 2018, the Company has complied with the code provisions set out in the Code except for code provisions of A.4.1, A.4.2 and A.6.7.

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

According to the Company's Bye-laws, the Chairman of the Board and the Chief Executive Officer of the Company were not subject to retirement by rotation, which thus constitutes a deviation from the code provision A.4.2. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that deviations from the code provision A.4.1 and A.4.2 are acceptable.

In respect of code provision A.6.7, except Mr. LAM Chi Kuen, the other two Non-executive Directors did not attend the annual general meeting of the Company held on 29 May 2018 due to their other business commitments.

Further information of the Company's corporate governance practices is set out in the corporate governance report in the 2018 Annual Report to be despatched to the shareholders in mid-April 2019.

AUDIT COMMITTEE

The Group's audit committee ("Audit Committee") has reviewed with the accounting principles and practices adopted by the Group, and discussed with the management for the internal control and financial reporting matters. The Audit Committee also reviewed the consolidated financial statements of the Group for the year ended 31 December 2018.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this announcement.

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, that they have complied with the Model Code during the period between 1 January 2018 and 31 December 2018.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 1/F, pentalounge, pentahotel Hong Kong, Tuen Mun, 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong at 3:00 pm on Friday 24 May 2019.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 27 March 2019

As at the date of this announcement, the Board of Directors comprises Mdm. 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).