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 2019

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 2019. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

	Notes	**2019 HK$'000**	2018 HK$'000
REVENUE	*3*	**650,089**	723,805
Cost of sales		**(427,650)**	(481,470)
Gross profit		**222,439**	242,335
Other income and gains	*3*	**26,089**	5,304
Reversal of impairment of a deposit made in prior years		**-**	87,976
Fair value gains/(losses) on investment properties, net		**46,378**	(703)
Selling and distribution expenses		**(54,147)**	(69,316)
Administrative expenses		**(85,615)**	(83,437)
Other expenses		**617**	(7,372)
Finance costs	*5*	**(2,463)**	(1,935)
PROFIT BEFORE TAX	*4*	**153,298**	172,852
Income tax expense	*6*	**(31,818)**	(29,432)
PROFIT FOR THE YEAR		**121,480**	143,420
Attributable to:			
Owners of the parent		**122,280**	144,128
Non-controlling interests		**(800)**	(708)
		121,480	143,420
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK 24.2 cents**	HK 28.5 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 **HK$'000**	2018 HK$'000
PROFIT FOR THE YEAR	**121,480**	143,420
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(3,153)**	(22,654)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(3,153)**	(22,654)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**118,327**	120,766
Attributable to:		
Owners of the parent	**118,306**	119,098
Non-controlling interests	**21**	1,668
	118,327	120,766

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,129,021**	1,170,196
Investment properties		**1,172,524**	1,130,015
Prepaid land lease payments		**-**	11,645
Properties for development		**28,604**	29,782
Prepayments		**4,248**	4,812
Total non-current assets		**2,334,397**	2,346,450
CURRENT ASSETS			
Inventories		**68,463**	67,739
Trade receivables	*9*	**32,630**	42,529
Prepayments, other receivables and other assets		**11,774**	103,251
Financial assets at fair value through profit or loss		**57**	57
Cash and cash equivalents		**381,055**	258,703
Total current assets		**493,979**	472,279
CURRENT LIABILITIES			
Trade payables	*10*	**10,628**	13,532
Other payables and accruals		**110,368**	139,520
Interest-bearing bank and other borrowings		**16,250**	40,315
Tax payable		**20,583**	22,773
Total current liabilities		**157,829**	216,140
NET CURRENT ASSETS		**336,150**	256,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,670,547**	2,602,589

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
31 December 2019

	2019 **HK$'000**	2018 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,670,547**	2,602,589
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**-**	901
Other payables	**44,270**	25,261
Provisions	**3,618**	4,015
Deferred tax liabilities	**200,189**	201,760
Total non-current liabilities	**248,077**	231,937
Net assets	**2,422,470**	2,370,652
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,053**	5,053
Reserves	**2,445,705**	2,393,908
	2,450,758	2,398,961
Non-controlling interests	**(28,288)**	(28,309)
Total equity	**2,422,470**	2,370,652

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 2019. 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 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except for the amendments to HKFRS 9 and HKAS 19, and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases - Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any significant impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 January 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continued to be reported under HKAS 17 and related interpretations.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)- Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16
The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease by lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in other payables and accruals. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets included in "property, plant and equipment" in the consolidated statement of financial position.

As at 1 January 2019, motor vehicles of HK$1,545,000 and leasehold land of HK$109,085,000 were reclassified from the assets held under finance leases and the leasehold land to the right-of-use assets, which were also included under property, plant and equipment.

For the leasehold land and building (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application
- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease

As a lessee – Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. Accordingly, the carrying amounts of the right-of-use assets and the lease liabilities at 1 January 2019 were the carrying amounts of the recognised assets and liabilities (i.e., finance lease payables) measured under HKAS 17.

Financial impact at 1 January 2019

The impact arising from the adoption of HKFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) HK$'000
Assets	
Increase in right-of-use assets (included under property, plant and equipment)	26,315
Decrease in prepaid land lease payments	(11,645)
Decrease in prepayments, other receivables and other assets	(244)
Increase in total assets	14,426
Liabilities	
Decrease in interest-bearing bank and other borrowings	(1,633)
Increase in other payables and accruals	23,401
Decrease in deferred tax liabilities	(1,469)
Increase in total liabilities	20,299
Decrease in retained profits	(5,873)

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions arising from the transfer pricing on its intergroup sales. Based on the Group's tax compliance and transfer pricing study, the Group determined that it is probable that its transfer pricing policy will be accepted by the tax authorities. Accordingly, the interpretation did not have any significant impact on the financial position or performance of the Group.

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 hotel operation segment represents the Group's hotel business;

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

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

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

Business segments

	Cement products		**Property investment**		**Hotel operation**		**Property development**		**Corporate and others**		**Consolidated**	
Year ended 31 December	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	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 (note 3)**:**												
Sales to external customers	**432,177**	509,673	**147,028**	133,023	**56,913**	69,171	**-**	-	**13,971**	11,938	**650,089**	723,805
Other income and gains	**290**	71	**583**	394	**-**	-	**15,603**	-	**-**	6	**16,476**	471
											666,565	724,276
Segment results	**16,017**	27,391	**162,117**	97,951	**(16,443)**	(9,605)	**13,835**	83,825	**(31,841)**	(31,543)	**143,685**	168,019
Reconciliation:												
Interest income											**9,613**	4,833
Profit before tax											**153,298**	172,852
Income tax expense	**(1,411)**	(6,562)	**(30,495)**	(22,858)	**-**	-	**-**	-	**88**	(12)	**(31,818)**	(29,432)
Profit for the year											**121,480**	143,420

Geographical information

(a) Revenue from external customers

	2019	2018
	HK$'000	HK$'000
Vietnam	**561,556**	627,308
Hong Kong	**77,533**	87,210
People's Republic of China ("PRC")	**11,000**	9,287
	650,089	723,805

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

(b) Non-current assets

	2019	2018
	HK$'000	HK$'000
Vietnam	**1,391,269**	1,359,055
Hong Kong	**919,345**	965,886
PRC	**23,783**	21,509
	2,334,397	2,346,450

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:

	2019	2018
	HK$'000	HK$'000
Customer A	**118,011**	127,933
Customer B	**112,538**	123,882
Customer C	**N/A***	75,504

* 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:

	2019 HK$'000	2018 HK$'000
Revenue from contracts with customers		
Sale of cement	**432,177**	509,673
Sale of electronic products	**13,971**	11,938
Rendering of property management and related services	**36,261**	34,276
Rendering of hotel and related services	**56,913**	69,171
Revenue from other sources		
Gross rental income from investment property	**110,767**	98,747
	650,089	723,805
Other income and gains		
Interest income	**9,613**	4,833
Gain from recovery of the land deposits	**15,603**	-
Gain on disposal of items of property, plant and equipment, net	**148**	-
Others	**725**	471
	26,089	5,304

4. PROFIT BEFORE TAX

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

	2019 HK$'000	2018 HK$'000
Cost of inventories sold	**356,952**	404,953
Cost of services rendered	**60,152**	64,544
Depreciation of property, plant and equipment**	**64,786**	70,222
Depreciation of right-of-use assets** (2018: amortisation of land lease payments)	**5,704**	1,345
Amortisation of properties for development	**1,063**	1,096
Auditor's remuneration	**2,346**	2,343
Employee benefit expense (excluding directors' remuneration)**:		
Wages and salaries	**67,974**	64,712
Pension scheme contributions	**1,106**	824
	69,080	65,536
Foreign exchange differences, net*	**360**	6,247
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**10,546**	11,973
Impairment/(reversal of impairment) of trade receivables*	**(1,004)**	1,101

* 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 2019, depreciation and employee benefit expense of HK$103,012,000 (2018: HK$99,524,000) 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:

	2019	2018
	HK$'000	HK$'000
Interest on bank loans	**989**	1,822
Interest on finance leases	**-**	113
Interest on lease liabilities	**1,474**	-
	2,463	1,935

6. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. 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%.

	2019	2018
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**12**	12
Current – Elsewhere		
Charge for the year	**27,573**	26,373
Underprovision/(overprovision) in prior years	**250**	(48)
Deferred	**3,983**	3,095
Total tax charge for the year	**31,818**	29,432

7. DIVIDENDS

	2019	2018
	HK$'000	HK$'000
Interim – HK6 cents (2018: HK4 cents) per ordinary share	**30,318**	20,212
Final proposed subsequent to the reporting period		
– HK3 cents (2018: HK6 cents) per ordinary share	**15,159**	30,318
	45,477	50,530

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

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 (2018: 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 2019 and 2018.

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Trade receivables	**36,621**	47,540
Impairment	**(3,991)**	(5,011)
	32,630	42,529

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:

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**30,491**	36,695
31 to 60 days	**1,235**	1,926
61 to 90 days	**234**	1,254
91 to 120 days	**178**	935
Over 120 days	**492**	1,719
	32,630	42,529

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:

	2019	2018
	HK$'000	HK$'000
0 to 30 days	**10,150**	12,888
31 to 60 days	**-**	31
61 to 90 days	**-**	234
91 to 120 days	**151**	1
Over 120 days	**327**	378
	10,628	13,532

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

BUSINESS REVIEW AND OUTLOOK

In 2019, the performance of various businesses of the Group was mixed. The performance of the hotel business was relatively volatile. After more than a year of operation, the Group's hotel in Tuen Mun, Hong Kong showed steady improvement in the first half of 2019, with both the occupancy rate and the revenue recorded a satisfactory growth rate. However, due to the impact of the anti-extradition bill protests in Hong Kong since June 2019, the hotel's operation rapidly deteriorated in the second half of the year. As a result of a dramatic drop of visitors to Hong Kong, the hotel's revenue recorded a big decline as a result. On the other hand, under the influence of oversupply in the Vietnamese cement market, the operation and sales of the Group's cement plant in Vietnam remained weak. However, the leasing performance of Saigon Trade Center, the Group's office property in Ho Chi Minh City Vietnam, benefitting from the continued improvement of the Vietnamese economy, recorded significant growth during the year.

Looking ahead to 2020, the outbreak of the new coronavirus from the beginning of the year is expected to have a severe impact on the global economy. So far, there are no sign of the epidemic being under control, and the extent of damage to the global economy is still difficult to estimate. Among the Group's businesses, the hotel sector has been the hardest hit. It is estimated that operating difficulties will continue at least until the epidemic subsides. As for the cement plant, being affected by the epidemic situation in China and Southeast Asian countries, the cement export of Vietnam is estimated to decline, and thus will lead to increased competition in Vietnam's local cement market, which will have a certain degree of impact on the sales of the Group's cement plant. Fortunately, in the fourth quarter of 2019, Vietnam's economic momentum remained strong with a GDP growth rate of reaching approximately 7%. The leasing situation of the Group's Saigon Trade Center remained robust in early 2020. However, the impact of the development of the epidemic on Vietnam's economy is still unknown. It is estimated that in 2020, the global economy will be a difficult year. Fortunately, the group is financially sound, with few borrowings and abundant cash on hand. The Group has also taken appropriate measures to keep as much cash as possible for contingency needs and to prepare for an uncertain economic environment in the coming future.

For the year ended 31 December 2019, the Group's turnover was HK$650,089,000, representing a decrease of approximately 10.2% as compared with HK$723,805,000 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$432,177,000, representing a decrease of approximately 15.2% compared with the previous year, whereas the turnover of the property investment business was HK$147,028,000, representing an increase of approximately 10.5% as compared with the previous year, and the turnover from the hotel business was HK$56,913,000, representing a decrease of approximately 17.7% as compared with the previous year.

The Group's consolidated net profit attributable to shareholders was HK$122,280,000 for the full year of 2019, which was a decrease of approximately 15.2% compared with the net profit of HK$144,128,000 recorded in the previous year. Basic earnings per share for 2019 was 24.2 HK cents (2018: 28.5 HK cents).

Cement Business

In 2019, the oversupply of cement throughout Vietnam continued. According to statistics from the Ministry of Construction of Vietnam, the national cement production in 2019 was about 98 million tons, of which local market absorbed approximately 70%, with the remaining produce being exported. Facing the fierce competition in the domestic market of Vietnam, the cement and clinker sales volume of the Group's cement plant recorded 1,270,000 tons in 2019, a decrease of approximately 18.5% over last year. Profit after taxation was HK$14.61 million, a decrease of approximately 29.9% compared to last year.

The decline in earning was mainly due to rising production costs and falling sales. Electricity charge, coal price and wage all increased during the year. Although the cement plant raised its selling price per ton of cement in the second quarter of 2019, it was only enough to offset the impact of rising electricity bills during the period. On the other hand, the decline in cement sales also increased the fixed cost per ton of cement by about one US dollar. In addition, the cement plant also increased its expenditure on environmental protection during the year, including installing facilities such as environmental protection emission monitoring system.

The main reasons for the decline in the Group's cement sales volume include the government's strengthening control over the supply of construction sea sand during the year, which slowed down the development of large-scale infrastructure projects and construction of power plants. Besides, the property development market in central regions, including Da Nang, has slowed due to reduced demand, which thus led to a decline in demand for cement. Moreover, shrinking export markets such as China and the Philippines resulted in increasing competition in the local cement market.

The outbreak of the new coronavirus in China in early 2020 reduced the demand of cement import in China. Being affected by the epidemic, the development of local infrastructure projects in Vietnam also shows signs of slowing down. As a result, Vietnam's cement demand in the first half of the year will be affected, which thus will also affect the Group's cement sales. It is estimated that the market demand of cement shall return to normal track only after the epidemic situation is controlled, hopefully, in the second half of the year.

In terms of production, the D-line modification of the group’s cement plant was carried out in three phases. The first and second phases have been completed and started operations in March this year, focusing mainly in improving the quality of clinkers. The cost-effectiveness will be more significant after the completion of the third phase of the modification, which is scheduled to be done by the end of June 2020. It is expected that after the modification, the clinker production of D-line will increase by more than 15% to a daily output of 3,500 tons, and the coal consumption and power consumption will also decrease accordingly, thereby improving the profit margin.

In addition, the Group's cement factory originally planned to build a warehouse and logistics facility for leasing purpose on a piece of land it owns with an area of about 14 hectares in Long An Province, Ho Chi Minh City. However, in response to the uncertainty of the global economy, the Group will temporarily postpone the development plan.

Property Investment

In 2019, Vietnam's office market demand remained strong. Mainly due to the increase in foreign investments and thriving local businesses. Vietnam recorded a pledged foreign direct investment of US$38 billion in 2019, an increase of 7.2% over last year, and the disbursement of foreign direct investment reached US$20.38 billion, an increase of more than 6.7% compared with last year. In addition, the rapid growth of local enterprises, including traditional banking and financial industries and IT technology, also led to an increase in office demand. On the other hand, new supply of office buildings in the CBD of Ho Chi Minh City was still limited during the year. As a whole, the performance of overall office rental market in Ho Chi Minh City was remarkable in 2019, with both occupancy rates and market rents were on rising.

The Group’s Saigon Trade Centre, situated in the CBD of Ho Chi Minh was thus benefited. In 2019, the occupancy rate and rental income of Saigon Trade Centre both increased. As of December 31, 2019, the occupancy rate of the Saigon Trade Centre was 82%, recorded an increase from 81% on June 30, 2019. Rental income also increased by more than 10% compared to the same period last year.

Due to the satisfactory growth of leasing in Saigon Trade Centre, its property revaluation value in 2019 also recorded an increase of approximately US$7.4 million. As a result, the Group recorded an increase in fair value gain from its investment properties of approximately HK$46.38 million in 2019.

Looking forward to 2020, the demand for office buildings in Ho Chi Minh City remained strong in the first two months of the year. Although completion of new office buildings increased the market supply, it soon be absorbed by the market. However, with the outbreak of the new coronavirus, the situation beyond the first quarter is difficult to predict. It is estimated that the global outbreak of the epidemic will have a certain degree of impact on Vietnam’s economy and make foreign investments more cautious. However, the management believes that it will not have a significant impact on the rental situation of the Group’s Saigon Trade Centre.

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

Property Development

Last year, the Group made an application to the Hue Provincial Government of Vietnam to increase the plot ratio and design height of the “Hue Plaza”. However, at the end of last year, the Group received a reply from the government of Hue that since the central area of Hue was a culturally protected area, its height and plot ratio were limited by the overall plan, and thus the application could not be approved. As such, the Group will implement the development plan of “Hue Plaza” according to the original design height and plot ratio. Currently, the Hue Provincial Government is finalizing the plan. Affected by the recent outbreak of new coronavirus, the Group will carefully plan the capital investment and development schedule of the project.

In 2019, the residential property market in Ho Chi Minh City, Vietnam, especially the condominiums, began to show signs of slowing down after years of prosperous development. Part of the reason was that seeing short-term oversupply in the market, the government implemented certain restrictions on the real estate projects development, including credit control and licensing restrictions. Nonetheless, with the Vietnamese economy continuously growing and keen foreign interests investing in residential property, the market demand remained strong. It is estimated that the real estate and residential market will tend to be more stable and healthier in its future development. The Group's residential project in Binh Thanh District, Ho Chi Minh City is still considered as a land reserve for development at an appropriate time in future.

In addition, the Group recovered deposits from two parcels of land held in Ho Chi Minh City for many years. Due to the increase in land prices, the Group made a profit of approximately HK$15.6 million on the deposits recovered and was recorded in 2019.

Hotel Business

The Group's hotel, pentahotel Hong Kong Tuen Mun, experienced an undulated year in 2019. The hotel grew satisfactorily in the first five months of the first half of the year. For the first half of the year, the hotel recorded an average occupancy rate of 89.8%, an increase of around 4% compared with the same period last year. And the turnover was HK$33.52 million, an increase of approximately 9.5%. However, since the outburst of the anti-extradition bill protests in Hong Kong from June 2019, the hotel business has been severely affected, lasting to the end of the year. Hong Kong's tourism industry has experienced the worst downturn in the past decade or so, and the number of tourists visiting Hong Kong has decreased by more than half compared with 2018. Although the Group's hotel made its effort to keep the occupancy rate above 70%, the room rates were to reduce significantly, resulting in a decline in revenue in the second half of the year.

For the year ended December 31, 2019, the revenue of the Group's hotel was HK $56,913,000, which was a decrease of approximately 17.7% compared to the HK$69,171,000 recorded last year. The loss after depreciation was HK$16,443,000, which was an increase of 71.2% compared to the loss of HK$9,605,000 in 2018.

Looking forward to 2020, due to the outbreak of the new coronavirus, the Hong Kong government has imposed entry restrictions on Chinese tourists and also closed most of the border crossings with mainland China in February 2020. With further outbreaks in various parts of the world, the World Health Organization has announced that the new coronavirus become a pandemic, and countries around the world have restricted the entry and exit of tourists. Hong Kong has also expanded restrictions on inbound tourists from all regions. Hong Kong's tourism industry has entered a cold winter again. The group’s hotel business has also greatly been affected. It is hope that the soonest on the third quarter of this year, the epidemic may pass and the problem of social instability in Hong Kong be resolved, then the hotel business can be expected to get back on track.

Dividend

The Board recommended to distribute a final dividend of HK3 cents per share to the shareholders. Together with the interim dividend of HK6 cents per share already distributed, the total dividend for the year of 2019 will be HK9 cents per share.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 31 December 2019 amounted to HK$381,055,000 (31 December 2018:HK$258,703,000). The Group's total bank and other borrowings amounted to HK$16,250,000 (31 December 2018: HK$41,216,000), of which HK$16,250,000 (31 December 2018: HK$40,315,000) was repayable within 1 year/on demand clause and nil (31 December 2018: HK$901,000) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK dollars. Of the total borrowings, nil was 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 2019 (31 December 2018: not applicable).

Significant investments held

As at 31 December 2019, the Group has no significant investment held.

Details of charges

As at 31 December 2019, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK$559,188,000, certain investment properties and certain rental income generated therefrom with a fair value of HK$152,000,000 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 0.4% as at 31 December 2019 when compared to the rate as at 31 December 2018. The Group recorded an exchange loss of HK$360,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited and is not cost efficient to do so. The interest deviation between VND and HKD is also a barrier for setting up an effective hedge for the VND devaluation. As such, the Group has not employed any currency hedging instrument during the financial year.

Details of capital commitments

As at 31 December 2019, the Group's capital commitments amounted to HK$7,372,000 (31 December 2018: HK$1,464,000).

Details of contingent liability

As at 31 December 2019, the Group has no significant contingent liability (31 December 2018: Nil).

Employees and Remuneration Policy

As at 31 December 2019, the Group had approximately 1,180 employees, of which about 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$69,080,000 for the year ended 31 December 2019 (31 December 2018: HK$65,536,000). 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 HK3 cents (2018: 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 Friday 5 June 2020 to Wednesday 10 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Thursday 4 June 2020.

(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 Wednesday 17 June 2020 to Friday 19 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before 4:30 p.m. on Tuesday 16 June 2020.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Friday 19 June 2020 and the payment date of the dividend is expected to be Friday 3 July 2020.

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 2019.

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 2019, 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. LIU Li Yuan, the other two Non-executive Directors did not attend the annual general meeting of the Company held on 24 May 2019 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 2019 Annual Report to be despatched to the shareholders in mid-April 2020.

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 2019.

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 2019 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 2019 and 31 December 2019.

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 Wednesday 10 June 2020.

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, 20 March 2020

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).

* For identification purpose only