

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.



LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019. The interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
	Notes		
REVENUE	4	281,440	330,624
Cost of sales		(203,501)	(232,412)
Gross profit		77,939	98,212
Other income and gains, net		3,884	19,537
Selling and distribution expenses		(6,514)	(7,883)
Administrative expenses		(30,255)	(36,693)
Other expenses		(2,469)	(518)
Finance costs	5	(831)	(1,301)
PROFIT BEFORE TAX	6	41,754	71,354
Income tax expense	7	(12,715)	(15,146)
PROFIT FOR THE PERIOD		29,039	56,208
Attributable to:			
Owners of the parent		29,939	56,339
Non-controlling interests		(900)	(131)
		29,039	56,208
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		HK5.9 cents	HK11.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>29,039</u>	<u>56,208</u>
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10,747)</u>	<u>(9,750)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	<u>(10,747)</u>	<u>(9,750)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>18,292</u>	<u>46,458</u>
Attributable to:		
Owners of the parent	18,410	46,589
Non-controlling interests	<u>(118)</u>	<u>(131)</u>
	<u>18,292</u>	<u>46,458</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,097,977	1,129,021
Investment properties		1,166,614	1,172,524
Properties for development		27,886	28,604
Prepayments		1,046	4,248
Total non-current assets		2,293,523	2,334,397
CURRENT ASSETS			
Inventories		80,465	68,463
Trade receivables	10	52,869	32,630
Prepayments, other receivables and other assets		7,280	11,774
Financial assets at fair value through profit or loss		57	57
Cash and cash equivalents		414,630	381,055
Total current assets		555,301	493,979
CURRENT LIABILITIES			
Trade payables	11	23,205	10,628
Other payables and accruals		120,496	110,368
Interest-bearing bank and other borrowings		12,500	16,250
Tax payable		24,657	20,583
Total current liabilities		180,858	157,829
NET CURRENT ASSETS		374,443	336,150
TOTAL ASSETS LESS CURRENT LIABILITIES		2,667,966	2,670,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*30 June 2020*

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,667,966	2,670,547
NON-CURRENT LIABILITIES		
Other payables	39,193	44,270
Provisions	4,523	3,618
Deferred tax liabilities	198,647	200,189
Total non-current liabilities	242,363	248,077
Net assets	2,425,603	2,422,470
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,053	5,053
Reserves	2,448,956	2,445,705
	2,454,009	2,450,758
Non-controlling interests	(28,406)	(28,288)
Total equity	2,425,603	2,422,470

Notes:

1. BASIS OF PREPARATION

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

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

The unaudited interim condensed consolidated financial statements 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 unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adoption)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Other than as explained below regarding the impact of HKFRS 3 *Definition of a Business*, HKFRS 16 *Covid-19-Related Rent Concessions* and HKAS 1 and HKAS 8 *Definition of Material*, the adoption of the above new and revised standards are not relevant to the preparation of the Group’s interim condensed consolidated statements. The nature and the impact of the changes are described below:

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

- (b) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the covid-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted. The amendments did not have any impact on the financial position and performance of the Group.
- (c) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. The amendments did not have any impact on the Group's unaudited interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2020 and 2019.

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	187,563	219,307	74,724	71,189	13,599	33,520	-	-	5,554	6,608	281,440	330,624
Other income and gains, net	40	49	80	523	-	-	466	15,603	-	-	586	16,175
	187,603	219,356	74,804	71,712	13,599	33,520	466	15,603	5,554	6,608	282,026	346,799
Segment results	5,458	16,203	61,597	56,414	(15,714)	(4,933)	(682)	14,674	(12,203)	(14,366)	38,456	67,992
Reconciliation:												
Interest income											3,298	3,362
Profit before tax											41,754	71,354
Income tax credit / (expense)	(144)	(3,324)	(12,619)	(11,822)	-	-	-	-	48	-	(12,715)	(15,146)
Profit for the period											29,039	56,208

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sale of cement	187,563	219,307
Sale of electronic products	5,554	6,608
Rendering of property management and related services	17,772	17,589
Hotel operation income	13,599	33,520
Revenue from other sources		
Gross rental income	56,952	53,600
	281,440	330,624

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

<u>Segments</u>	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	187,563	-	-	-	187,563
Sale of electronic products	-	-	-	5,554	5,554
Property management and related services	-	17,772	-	-	17,772
Hotel and related services	-	-	13,599	-	13,599
Total revenue from contracts with customers	187,563	17,772	13,599	5,554	224,488
Geographical markets					
Vietnam	187,563	17,772	-	-	205,335
Hong Kong	-	-	13,599	5,554	19,153
Total revenue from contracts with customers	187,563	17,772	13,599	5,554	224,488
Timing of revenue recognition					
Goods transferred at a point in time	187,563	-	1,298	5,554	194,415
Services transferred over time	-	17,772	12,301	-	30,073
Total revenue from contracts with customers	187,563	17,772	13,599	5,554	224,488

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

<u>Segments</u>	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	219,307	-	-	-	219,307
Sale of electronic products	-	-	-	6,608	6,608
Property management and related services	-	17,589	-	-	17,589
Hotel and related services	-	-	33,520	-	33,520
Total revenue from contracts with customers	219,307	17,589	33,520	6,608	277,024
Geographical markets					
Vietnam	219,307	17,589	-	-	236,896
Hong Kong	-	-	33,520	6,608	40,128
Total revenue from contracts with customers	219,307	17,589	33,520	6,608	277,024
Timing of revenue recognition					
Goods transferred at a point in time	219,307	-	3,189	6,608	229,104
Services transferred over time	-	17,589	30,331	-	47,920
Total revenue from contracts with customers	219,307	17,589	33,520	6,608	277,024

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	245	564
Interest on lease liabilities	586	737
	831	1,301

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	173,048	195,726
Cost of services rendered	30,453	36,686
Depreciation of owned assets	33,114	35,478
Depreciation of right-of-use assets	2,477	2,852
Foreign exchange loss	2,404	512

7. INCOME TAX

No provision for Hong Kong profits tax has been made (six months ended 30 June 2019: Nil) on the estimated assessable profits arising in Hong Kong during the period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current charge for the period		
Elsewhere	13,140	12,431
Underprovision in prior years		
Elsewhere	1,186	1,042
Deferred	(1,611)	1,673
Total tax charge for the period	<u>12,715</u>	<u>15,146</u>

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

The calculation of basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 505,297,418 (six months ended 30 June 2019: 505,297,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2020 and 2019 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. DIVIDEND

	Six months ended 30 June 2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Interim – HK2 cents (six months ended 30 June 2019: HK6 cents) per ordinary share	<u>10,106</u>	<u>30,318</u>

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 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:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 to 30 days	38,198	30,491
31 to 60 days	5,140	1,235
61 to 90 days	5,357	234
91 to 120 days	3,066	178
Over 120 days	1,108	492
	52,869	32,630

11. 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:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
0 to 30 days	22,894	10,150
91 to 120 days	-	151
Over 120 days	311	327
	23,205	10,628

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2020, the world was devastated by the Covid-19 pandemic and economic activities were severely hindered. The main businesses of the Group are located in Vietnam and Hong Kong, which have been affected to varying degrees, resulting in a decrease in overall operating income and profit compared with the same period last year. Among them, the Group's hotel business in Hong Kong was the hardest hit. The profit before depreciation turned from a profit as recorded last year to a loss this year. The business of the Group's cement plant in central Vietnam was also severely affected. Due to the shrinking economic activities in Vietnam, the sales revenue of the cement plant decreased, resulting in a significant decline in the profit for the period. Fortunately, the Group's Saigon Trade Centre in Ho Chi Minh City, Vietnam had a stable rental performance and recorded a growth during the period. Besides, other rental income from properties located in Hong Kong and China also remained stable. Apart from the normal operating results, in last year, the Group had recorded a one-off profit of approximately HK\$15.6 million from the recovery of land deposits, which also attributed to a drop of 46.9% of the net profit attributable to the owners of the parent for the first half of 2020, as compared with the same period last year. Whereas if excluding the special income from the recovery of land deposits of the previous year, the drop was approximately 26.5% compared with the same period last year.

In the first half of 2020, although Vietnam was also affected by the Covid-19 pandemic, no large-scale outbreak was recorded, due to the good performance of the Vietnamese government in controlling the epidemic, and as a result, the economy was relatively stable compared to other countries. Vietnam recorded a GDP growth rate of 1.81% for the first six months of 2020, which was the lowest level in 12 years. However, compared with most countries around the world that recorded a shrinking GDP in the first half of 2020, Vietnam's economic performance was not too bad at all. Looking forward, as the global epidemic is still out of control and the economic environment is still severe, it is estimated that the Group's businesses will still be under pressed and not likely to see a reversing trend in the second half of 2020.

For the six months ended 30 June 2020, the Group's turnover amounted to HK\$281,440,000, representing a decrease of approximately 14.9% compared with HK\$330,624,000 recorded in the same period last year. The Group's turnover mainly came from its cement business, property investment business and hotel business. The cement business recorded a turnover of HK\$187,563,000, representing a decrease of 14.5% compared with the same period last year. The property investment business recorded a turnover of HK\$74,724,000, representing an increase of 5% compared with the same period last year. And the hotel business recorded a turnover of HK\$13,599,000, representing a decrease of 59.4% compared with the same period last year.

The Group recorded an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent of HK\$29,939,000 for the first half of 2020, representing a decrease of 46.9% as compared to HK\$56,339,000 of the same period last year. The basic earnings per share for the first six months of 2020 were HK5.9 cents per share (corresponding period for first six months of 2019: HK11.1 cents).

Cement Business

In the first half of 2020, the cement industry in Vietnam was hit by the Covid-19 pandemic in Vietnam and around the world. The pandemic led to a slowdown in the real estate market and delays in transportation and infrastructure projects in Vietnam. The volume of construction works decreased and the demand for cement fell as a result. During the period, Vietnam implemented various levels of isolation and quarantine measures, especially the 14-day social quarantine that was implemented from April 1, which brought construction activities to a halt and thus severely impacted the cement sales in Vietnam.

On the other hand, the demand for cement of Vietnam's major export markets, such as China, Bangladesh, and Philippines dropped significantly. Both the price and quantity of cement exports recorded substantial declines during the period. Even worse, Philippines imposed additional taxes on Vietnamese cement and clinkers in order to protect the local market, putting extra pressure on the Vietnamese cement export. Faced with export difficulties, cement inventories increased and resulted in fiercer competition in Vietnam's domestic cement market.

Under this circumstance, the sales and profit of the Group's cement plant located in Hue Province in central Vietnam were therefore inevitably being affected in the first half of 2020. For the six months ended June 30, 2020, the cement and clinker sales volume of the cement plant was 550,000 tons, a decrease of approximately 16.5% from 659,000 tons in the same period last year. The after-tax profit of the cement business for the first six months was HK\$5,314,000, a decrease of approximately 58.7% from HK\$12,879,000 in the same period last year.

Production costs rose slightly during the period. Mainly affected by the epidemic, transportation costs increased considerably, which also resulted in driving up costs of various raw materials. In addition, the government imposed additional environmental tax on the cement industry at the beginning of the year, increasing the burden on the Group's cement production costs. Fortunately, the government lowered the electricity tariff during the period to ease the economic pressure on local enterprises, and the Group's cement plant was thus benefited and able to partly offset the costs increase during the period.

Looking forward to the second half of the year, due to another outbreak of the epidemic in Da Nang in central Vietnam since July, the Vietnamese government has implemented control and quarantine measures again, which has seriously affected the construction activities in the central region and impacted on the sales of the Group's cement plant to a certain extent. However, the Vietnamese government has also promised to increase public investments and speed up the approval of residential and infrastructure development projects to support the economy in the second half of the year. On the other hand, as a result of the electricity tariff being adjusted back to normal level from the second half of the year, the production cost of cement is estimated to increase compared with the first half of the year.

Property Investment

In the first half of 2020, affected by the epidemic in Vietnam, the Vietnamese government adopted tough border control measures. All foreigners were not allowed to enter Vietnam or required to be quarantined in places designated by the Vietnamese government for 14 days. This has severely affected Vietnam's external economic activities and commercial activities of Ho Chi Minh City. Newly registered foreign direct investments shrank 15% during the period, compared with the same period last year. In addition, due to the impact of the epidemic, a large number of local companies temporarily closed their business, reducing market demand of office spaces as a result. In terms of market supply of office spaces, three new Grade B office buildings were completed during the period, having increased the market supply and dragged down the overall occupancy rate of office buildings in the market. However, as the supply of office buildings in Ho Chi Minh City was still limited and in face of the persistently increasing market demand, the average market rental rate still recorded an annual increase of 2% in the first half of 2020.

The Group's Saigon Trade Centre, located in the CBD of Ho Chi Minh City, performed well during the period. As at June 30, 2020, the occupancy rate of Saigon Trade Centre was approximately 81%, slightly dropped from the 82% as at December 31, 2019. Compared with the same period last year, overall rental income recorded an increase of approximately 7%.

Looking forward to the second half of the year, the rental performance of the Saigon Trade Centre shall depend upon the Covid-19 pandemic's development in Vietnam and around the world. If the epidemic continues, more companies are estimated to have to suspend business or withdraw their leases in the next coming months. In addition, the Group is also required to provide certain rental relieves and concessions to tenants if epidemic persists, and as a result, both the occupancy rate and rental income of the Saigon Trade Centre shall be expected to decrease. However, in the long run, as the economic momentum of Ho Chi Minh City is still very strong, it is believed that after the epidemic being brought under control, economic activities will rebound rapidly. On the other hand, affected by the intensified conflict between China and the United States, Vietnam has also attracted many foreign factories and companies to invest and open offices in Vietnam, which helps supporting the demand for the office market in Ho Chi Minh City.

The overall rental income of the Group's rental properties in Hong Kong and China was stable during the period. The Group provided certain rental concessions to some commercial tenants in Hong Kong, which was on the other hand, offset by an increase in the rental income of the Baoan factory in Shenzhen, China during the period.

Hotel Business

The global tourism industry, and thus the Group's hotel business, was among the hardest hit business by the outbreak of the Covid-19 pandemic in the first half of 2020. Since March this year, the Hong Kong government closed most of the borders connecting to mainland China, as well as imposed travel restrictions and quarantine policy to travellers from many countries, resulting in a sharp drop in visitors to Hong Kong. According to statistics from the HK Tourism Development Bureau, the number of visitors to Hong Kong in the first half of 2020 dropped by approximately 90% compared to the same period last year, with visitors from mainland China accounting for the majority of the drop. The magnitude of impact to the Hong Kong hotel industry was thus imaginable accordingly.

In the absence of visitors to Hong Kong, the Group's hotel, "Pentahotel Hong Kong, Tuen Mun", changed its strategy by attracting the Hong Kong local residents to our hotel for vacation or short stay purpose. In addition, with the support of the New Territories Western Hospital Authority, the hotel committed to provide accommodations in both short and medium terms, for the frontline medical personnel in fighting the Covid-19 coronavirus. Not only it could contribute and provide support to the local community in fighting the epidemic, but also helped our hotel to make up part of the vacancy due to the drop of tourists. In terms of cost control, the Group's hotel treasured maintaining staff morale and stability as a priority and therefore did not adopt any layoff plan during the period. The hotel adopted measures, such as staff taking several days of unpaid leave per month helping to reduce staff cost, and also cut some unnecessary expenses. In addition, the Group's hotel also received government subsidies for the catering industry and under the employment support programs, which eased part of the cost burden during the period.

The average occupancy rate of the Group's hotel in the first six months of 2020 was 53.5%, a decrease of approximately 40% compared with 89.4% in the same period last year. The average room rate dropped by about 25% compared with the same period last year.

For the six months ended June 30, 2020, the hotel business contributed HK\$13,599,000 to the Group's operating income, a decrease of 59.4% compared to the same period last year. Before deducting depreciation, a loss of HK\$1,881,000 was recorded, as compared with a profit recorded of HK\$7,919,000 in the same period last year. After deducting depreciation, the hotel business recorded a loss of HK\$15,714,000, whereas a loss of HK\$4,933,000 was recorded in the same period last year.

Since there is still no sign that the Covid-19 pandemic can be under control in short term, it is estimated that full lifting of travel restrictions in Hong Kong is unlikely to happen in the second half of the year. As such, the hotel industry in Hong Kong shall still have a distance to go before recovery. The operating environment of the Group's hotel in the second half of the year is therefore, expected to remain difficult.

Property Development

The architectural design drawings of the Group's "Hue Plaza" in Hue Province, Vietnam were completed and approved by the Hue Provincial government in the first half of 2020. Currently, the Group is preparing for the tendering of contractors for the project. Affected by the epidemic, the borders in Vietnam have been closed, and Hong Kong employees and engineering and technical personnel of the Group have not been able to arrive at the scene. In addition, restrictions and isolation measures implemented by the Vietnamese government also have a certain impact on the proceedings of the project development. The development of "Hue Plaza" is thus expected to delay accordingly.

Dividend

The Board of Directors resolved to distribute an interim dividend of HK2 cents per share to shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2020 amounted to HK\$414,630,000 (31 December 2019: HK\$381,055,000). The Group's total bank and other borrowings amounted to HK\$12,500,000 (31 December 2019: HK\$16,250,000), of which all (31 December 2019: all) was repayable within 1 year or on demand clause.

All of the Group's borrowings were denominated in HK\$. Of the total borrowings, there was no amount at fixed interest rates.

Significant investments held

As at 30 June 2020, the Group has no significant investment held.

Details of charges

As at 30 June 2020, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK\$549,021,000 and certain investment properties with 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's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The relatively high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. The exchange rate of VND to HKD recorded a depreciation of 0.65% as at 30 June 2020 when compared to the rate as at 31 December 2019. The Group recorded an exchange loss of HK\$2,404,000 during the period. There was no significant change in the strategies used to reduce foreign exchange risk as described in the annual report of the Group as at 31 December 2019.

Details of capital commitments

The Group had the capital commitments in relation the property, plant and equipment amounted to HK\$3,603,000 (31 December 2019: HK\$7,372,000).

Details of contingent liabilities

As at 30 June 2020, the Group had no significant contingent liabilities (31 December 2019: Nil).

Employees and Remuneration Policy

As at 30 June 2020, the Group had approximately 1,150 employees. The percentage of staff working in Hong Kong and Vietnam is roughly 10% and 90% respectively. The total staff cost (including directors' remuneration) was approximately HK\$29,455,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Monday, 28 September 2020 to Wednesday, 30 September 2020, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 25 September 2020. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Wednesday, 30 September 2020 on or before Friday, 16 October 2020.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. During the accounting period of the financial statements, the roles of Chairman and Chief Executive Officer of the Company were performed by Madam Cheng Cheung. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) In respect of code provision A.6.7, Mr. Lam Chi Kuen attended the annual general meeting of the Company held on 10 June 2020 and Mr. Liang Fang and Mr. Liu Li Yuan did not attend the annual general meeting due to their other business commitments.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Liang Fang (Chairman), Mr. Liu Li Yuan and Mr. Lam Chi Kuen. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed and confirmed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020.

CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company, which they have complied with the Model Code during the period between 1 January 2020 and 30 June 2020.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2020 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 28 August 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