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 2020

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 2020. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2020

	Notes	**2020 HK$'000**	2019 HK$'000
REVENUE	*3*	**528,495**	650,089
Cost of sales		**(376,504)**	(427,650)
Gross profit		**151,991**	222,439
Other income and gains	*3*	**10,945**	26,089
Fair value gains on investment properties, net		**9,052**	46,378
Selling and distribution expenses		**(9,638)**	(54,147)
Administrative expenses		**(63,777)**	(85,615)
Other expenses		**(3,453)**	617
Finance costs	*5*	**(1,887)**	(2,463)
PROFIT BEFORE TAX	*4*	**93,233**	153,298
Income tax expense	*6*	**(33,042)**	(31,818)
PROFIT FOR THE YEAR		**60,191**	121,480
Attributable to:			
Owners of the parent		**61,511**	122,280
Non-controlling interests		**(1,320)**	(800)
		60,191	121,480
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK 12.2 cents**	HK 24.2 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 **HK$'000**	2019 HK$'000
PROFIT FOR THE YEAR	**60,191**	121,480
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	**2,089**	(3,153)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**2,089**	(3,153)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**62,280**	118,327
Attributable to:		
Owners of the parent	**62,597**	118,306
Non-controlling interests	**(317)**	21
	62,280	118,327

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	**2020** **HK$'000**	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,067,425**	1,129,021
Investment properties		**1,181,820**	1,172,524
Properties for development		**27,459**	28,604
Prepayments		**1,935**	4,248
Total non-current assets		**2,278,639**	2,334,397
CURRENT ASSETS			
Inventories		**58,276**	68,463
Trade receivables	*9*	**36,824**	32,630
Prepayments, other receivables and other assets		**8,981**	11,774
Financial assets at fair value through profit or loss		**57**	57
Cash and cash equivalents		**454,752**	381,055
Total current assets		**558,890**	493,979
CURRENT LIABILITIES			
Trade payables	*10*	**9,228**	10,628
Other payables and accruals		**84,800**	110,368
Interest-bearing bank and other borrowings		**8,750**	16,250
Tax payable		**28,710**	20,583
Total current liabilities		**131,488**	157,829
NET CURRENT ASSETS		**427,402**	336,150
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,706,041**	2,670,547

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2020

	2020 HK$'000	2019 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,706,041**	2,670,547
NON-CURRENT LIABILITIES		
Other payables	**40,372**	44,270
Provisions	**3,058**	3,618
Deferred tax liabilities	**206,468**	200,189
Total non-current liabilities	**249,898**	248,077
Net assets	**2,456,143**	2,422,470
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,026**	5,053
Reserves	**2,479,722**	2,445,705
	2,484,748	2,450,758
Non-controlling interests	**(28,605)**	(28,288)
Total equity	**2,456,143**	2,422,470

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 2020. 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendments to HKAS 16	*COVID-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "Conceptual Framework") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) 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.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("RFR"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) 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 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 for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any significant impact on the financial position and performance of the Group.

(e) 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, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

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	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019	**2020**	2019
	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	**334,880**	432,177	**150,162**	147,028	**31,609**	56,913	**-**	-	**11,844**	13,971	**528,495**	650,089
Other income and gains	**286**	290	**218**	583	**808**	-	**467**	15,603	**-**	-	**1,779**	16,476
	335,166	432,467	**150,380**	147,611	**32,417**	56,913	**467**	15,603	**11,844**	13,971	**530,274**	666,565
Segment results	**7,873**	16,017	**128,096**	162,117	**(24,646)**	(16,443)	**(1,580)**	13,835	**(25,676)**	(31,841)	**84,067**	143,685
Reconciliation:												
Interest income											**9,166**	9,613
Profit before tax											**93,233**	153,298
Income tax expense	**(541)**	(1,411)	**(32,391)**	(30,495)	**-**	-	**-**	-	**(110)**	88	**(33,042)**	(31,818)
Profit for the year											**60,191**	121,480

Geographical information

(a) Revenue from external customers

	2020	2019
	HK$'000	HK$'000
Vietnam	**466,272**	561,556
Hong Kong	**50,563**	77,533
People's Republic of China ("PRC")	**11,660**	11,000
	528,495	650,089

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

(b) Non-current assets

	2020	2019
	HK$'000	HK$'000
Vietnam	**1,380,975**	1,391,269
Hong Kong	**875,669**	919,345
PRC	**21,995**	23,783
	2,278,639	2,334,397

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:

	2020	2019
	HK$'000	HK$'000
Customer A	**104,424**	118,011
Customer B	**88,808**	112,538

The above revenue was derived from sales by the cement products segment to two customers.

3. REVENUE, OTHER INCOME AND GAINS

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

	2020 HK$'000	2019 HK$'000
Revenue from contracts with customers		
Sale of cement	**334,880**	432,177
Sale of electronic products	**11,844**	13,971
Rendering of property management and related services	**35,718**	36,261
Rendering of hotel and related services	**31,609**	56,913
	414,051	539,322
Revenue from other sources		
Gross rental income from investment property	**114,444**	110,767
	528,495	650,089
Other income and gains		
Interest income	**9,166**	9,613
Gain from recovery of the land deposits	**-**	15,603
Gain on disposal of items of property, plant and equipment, net	**4**	148
Government grants	**808**	-
Others	**967**	725
	10,945	26,089

4. PROFIT BEFORE TAX

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

	2020 HK$'000	2019 HK$'000
Cost of inventories sold	**313,992**	356,952
Cost of services rendered	**50,477**	60,152
Depreciation of owned assets	**65,968**	64,786
Depreciation of right-of-use assets	**7,052**	5,704
Amortisation of properties for development	**1,104**	1,063
Auditor's remuneration	**2,405**	2,346
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**52,991**	67,974
Pension scheme contributions	**684**	1,106
	53,675	69,080
Foreign exchange differences, net	**3,347**	360
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**12,035**	10,546
Reversal of impairment of trade receivables	**(137)**	(1,004)

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2020	2019
	HK$'000	HK$'000
Interest on bank loans	**346**	989
Interest on lease liabilities	**1,541**	1,474
	1,887	2,463

6. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2019: 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. The first HK$2,000,000 (2019: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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%.

	2020	2019
	HK$'000	HK$'000
Current – Hong Kong		
Charge for the year	**11**	12
Current – Elsewhere		
Charge for the year	**28,272**	27,573
Underprovision in prior years	**56**	250
Deferred	**4,703**	3,983
Total tax charge for the year	**33,042**	31,818

7. DIVIDENDS

	2020	2019
	HK$'000	HK$'000
Interim – HK2 cents (2019: HK6 cents) per ordinary share	**10,105**	30,318
Final proposed subsequent to the reporting period		
– HK3 cents (2019: HK3 cents) per ordinary share	**15,077**	15,159
	25,182	45,477

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 504,713,484 (2019: 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 2020 and 2019.

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	HK$'000
Trade receivables	**40,671**	36,621
Impairment	**(3,847)**	(3,991)
	36,824	32,630

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:

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**23,180**	30,491
31 to 60 days	**3,324**	1,235
61 to 90 days	**4,471**	234
91 to 120 days	**1,558**	178
Over 120 days	**4,291**	492
	36,824	32,630

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:

	2020	2019
	HK$'000	HK$'000
0 to 30 days	**9,023**	10,150
91 to 120 days	**-**	151
Over 120 days	**205**	327
	9,228	10,628

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

BUSINESS REVIEW AND OUTLOOK

For the world economy and for the Group's business, 2020 was a difficult year. The outbreak of the Covid-19 pandemic has led to the closure of borders in most countries in the world, and global business operations have been greatly affected. The main businesses of the Group are located in Hong Kong and Vietnam, and faced varying degrees of difficulties and challenges during the year. The overall revenue and profit of the Group in 2020 both declined. Due to the direct impact on the tourism industry and related businesses during the Covid-19 pandemic, the Group's hotel business was severely affected, with both occupancy rate and room rate falling significantly throughout the year. The EBITA of the Group's hotel business turned from a profit recorded in 2019 to a loss in 2020. On the other hand, due to shrinking economic activities and declining foreign investments, Vietnam's domestic demand for cement declined in 2020, which greatly affected the business of the cement plant operated by the Group in central Vietnam. As a result, both the revenue and profit of the Group's cement plant fell in 2020. Fortunately, the Group's Saigon Trade Center in Ho Chi Minh City, Vietnam performed steadily and was the least impact by the Covid-19 pandemic. The rental income in 2020 recorded a modest increase. However, since the fair value gain of the Group's investment properties for the year decreased by approximately HK$37,326,000 compared with last year, and together with a non-recurring gain of approximately HK$15,603,000 generated from the resumption of land deposits in last year, the Group's consolidated net profit attributable to shareholders recorded a drop of approximately 49.7%, compared to last year. However, if the fair value gain and the non-recurring gain were excluded, the consolidated net profit attributable to shareholders from the recurring and normal operating business of the Group recorded a decrease of approximately 13% compared to last year.

As the Covid-19 vaccination is currently being carried out in different countries around the world, it is generally expected that the pandemic will be contained before the end of 2021. But to this day, the Covid-19 pandemic is still serious in many countries. The world tourism industry is therefore not expected to rebound rapidly in the first half of 2021. Therefore, the Group's hotel business is expected to remain difficult in the first half of 2021, and it is estimated that it will not be, until the second half of 2021 seeing any improvement. On the other hand, since the outbreak of the Covid-19 pandemic, Vietnam has been very successful in controlling the spread of the virus. In 2020, Vietnam recorded a GDP growth rate of 2.91%. Although it was the lowest growth rate in the past ten years, it was one of the countries with the best economic performance in the world in 2020. It is expected that with the recovery of the Vietnamese real estate market and the increase of public investment by the Vietnamese government in 2021, the domestic cement demand in Vietnam is set to rebound but in a slow pace, whereas the momentum of recovery shall be expected to strengthen in the second half of 2021. However, at this moment, as the pandemic is still severe in the world and Vietnam is still adopting strict borders control measures, it is estimated that in the first half of 2021, the operating environment of the Group's cement business will still be difficult. On the other hand, the rental performance of the Group's Saigon Trade Center in Ho Chi Minh City, Vietnam is expected to remain stable in 2021.

For the year ended December 31, 2020, the Group's turnover was HK$528,495,000, a decrease of approximately 18.7% compared to the previous year's record of HK$650,089,000. The Group's turnover mainly comes from cement business, property investment business and hotel business. Among them, the turnover of cement business was HK$334,880,000, a decrease of about 22.5% compared with last year, whereas the turnover of property investment business was HK$150,162,000, a slight increase of about 2.1% compared with last year, and the turnover from hotel business was HK$31,609,000, a decrease of 44.5% compared with last year.

For the entire year of 2020, the Group recorded a consolidated net profit attributable to shareholders of HK$61,511,000, a decrease of approximately 49.7% compared with the net profit of HK$122,280,000 recorded in the previous year. Basic earnings per share was HK 12.2 cents (2019: HK 24.2 cents).

Cement business

According to statistics from the Ministry of Construction of Vietnam, due to the Covid-19 pandemic in 2020, domestic cement sales in Vietnam dropped by approximately 4.3% compared to 2019. Affected by the decline in demand, fierce competition in the domestic market in Vietnam has prompted many local cement producers to sell clinker and cement to overseas markets at lower prices, especially the China market. Compared with 2019, the total export volume of Vietnam's clinker and cement increased by approximately 11.5%, and the China market accounted for more than 50% of Vietnam's total export volume.

During 2020, in Vietnam, the Covid-19 pandemic caused a slowdown in the real estate market, and public spending and investment in infrastructure projects were delayed. As a result, the construction activities in Vietnam decreased substantially, which led to a drop in the cement demand. Moreover, in 2020, Vietnam implemented various levels of social isolation and quarantine measures, which hindered construction and commercial activities and severely affected Vietnam's cement sales. Especially since July 2020, the Covid-19 outbroke in central Vietnam, the major market of the Group's cement plant, had a particularly serious impact on the Group's cement sales for the second half of 2020. In addition, from October to November 2020, the central region of Vietnam suffered the strongest storms and floods in 20 years, which also increased difficulties of the Group's cement sales. During the year, the Group's cement plant strengthened its sales in Ninh Thuan Province and its surrounding provinces in southern Vietnam, so as to make up part of the drop on the sales decline in the central region.

In this difficult operating environment, it was inevitable that both the sales and profit of the Group's cement plants during the year declined. As of December 31, 2020, the cement and clinker sales volume of the cement plant was 969,000 tons, a decrease of approximately 23.7% from 1,270,000 tons last year. The after-tax profit of the cement business for the year was HK$7,332,000, a decrease of approximately 49.8% from last year's HK$14,606,000.

On the production side, the reduction in sales pushed up the fixed cost per ton of cement in 2020. Other production costs generally increased slightly during the year. In addition, under the influence of the Covid-19 pandemic, the cost of domestic transportation increased significantly, indirectly leading to costs increase of various raw materials. On the other hand, the government tightened its environmental management regulations, which also added to the production cost of the cement plant. In 2020, the cement plant completed 90% of the modification of D-production line. However, due to the entry restrictions imposed by the Vietnamese government, engineers and technical experts in charge of the modification were unable to return to Vietnam, and thus the completion date of the modification has to be was postponed. In order to reduce costs, the cement plant merged the production teams of the two production lines and reorganized the production system to improve production efficiency.

Since the beginning of 2021, domestic cement consumption in Vietnam has been slowly picking up. The Covid-19 pandemic in has also been basically brought under control in Vietnam. With the recovery of real estate market and an increase in public spending on infrastructure projects, construction activities in Vietnam are expected to resume steadily in 2021. Therefore, it is expected that Vietnam's domestic cement demand will rebound in 2021, but in a slow pace. The demand for cement in the central region was seen increasing after the Lunar New Year, especially for the usage on repairing houses and roads damaged by heavy rains and floods. However, the momentum of growth on the cement demand is only expected to get stronger in the second half of 2021, when the global Covid-19 pandemic is brought under control and by then, the Vietnamese National Congress Election is finished. With the completion of the National Congress Election, Vietnamese government disbursement on public investments and progress of national infrastructure projects are expected to be accelerated.

Property investment

In 2020, the Vietnamese government adopted strict immigration control measures to prevent the spread of the Covid-19 virus imported from other countries and regions. Except for certain designated categories of people, Vietnam prohibited all foreigners from entering the country, and foreigners who could be allowed to enter the country were also required to be quarantined in places designated by the Vietnamese government for 14 days. As a result, most foreign investors and employees of foreign companies could not enter or make it back to Vietnam. It severely affected Vietnam's foreign economic activities, as well as local business activities during the year. Compared with 2019, the new foreign direct investment attracted by Vietnam in 2020 decreased by about 25%, which thus resulted in a negative impact on the demand for office spaces in the market.

Furthermore, in 2020, the Covid-19 pandemic caused many local companies to reduce the size of their offices or move away from the central business district, and some even closed their businesses temporarily, resulting in a decrease in the demand for office spaces. The Covid-19 pandemic also led to changes in the work ecosystem. A large number of employees working from home and small companies switching to co-working spaces also dragged down demand for office spaces. Yet, some large enterprises, on the other hand, were seen taking the opportunity to expand, which thus played a certain role in supporting the demand for the Ho Chi Minh office market.

Regarding the supply side, several newly completed Grade B and Grade C office buildings were launched on the market during the year, thus increased the market supply. However, as the new supply of office buildings was still very limited, which also mainly concentrated in the peripheral areas of Ho Chi Minh City, the impact brought to the office market in prime location was not significant. The average market rental rate of office buildings in the CBD of Ho Chi Minh City was seen firm during the year. The Group's Saigon Trade Center, located in the CBD of Ho Chi Minh City, had a steady performance during the year. As of December 31, 2020, the occupancy rate of Saigon Trade Centre was approximately 80%, which was a slight decrease from the 81% as of June 30, 2020. Compared with last year, the overall rental income recorded an increase of about 4%.

Looking forward to 2021, as currently Covid-19 has still not yet under control in the world and the Vietnamese government is still adopting strict immigration control measures, economic activities are still sluggish. Under this circumstance, the overall utilization rate of the office market in Ho Chi Minh City may face a downward pressure in the first half of 2021. And thus, the occupancy rate of the Group’s Saigon Trade Center is also expected to have a slight decline. However, since the new supply in the market is still very limited in 2021, coupled with an expected strong economic recovery after the Covid-19 pandemic being brought under control in the second half of 2021, the support for the office demand in Ho Chi Minh City remains strong.

Furthermore, the "EU-Vietnam Free Trade Agreement" ("EVFTA") has officially come into effect since August 1, 2020, which is aimed at eliminating 99% of the tariffs between the EU and Vietnam. The United Kingdom and Vietnam also signed a similar bilateral trade agreement on December 29, 2020, namely, the "UK-Vietnam Free Trade Agreement" (UKVFTA). In addition, the Regional Comprehensive Economic Partnership (RCEP), comprising members of 15 countries, was also signed on November 15, 2020. With all these trade agreements coming into effect, Vietnam will become more economically open and will attract investors from all over the world to invest and set up bases in Vietnam. This not only enhances the short-term demand for office spaces, but is also a foundation stone for supporting the medium and long-term demand for the office market in Ho Chi Minh City. The Group’s Saigon Trade Center will benefit as well. On the other hand, the Covid-19 pandemic also slowed down the development of new office buildings in Ho Chi Minh City, which thus reducing short term supply in the office market. It is expected that the rental performance of Saigon Trade Centre in 2021 will be stable.

During the year, the overall rental income of the Group's investment properties in Hong Kong and China remained stable in general.

In 2020, the Group recorded a fair value gain of approximately HK$27,672,000 on the property revaluation of Saigon Trade Center, while the overall investment properties in Hong Kong and Mainland China recorded a decrease in fair value of approximately HK$18,620,000. As a result, the Group recorded an increase in fair value gain on the property revaluation of its investment properties by approximately HK$9,052,000, which was HK$37,326,000 less, as compared to the gain of HK$46,378,000 in 2019.

Hotel business

Since the outbreak of the Covid-19 pandemic in 2020, the global tourism industry and hotel industry were among the hardest hit business. Since March 2020, the Hong Kong government has closed most of the borders connected to mainland China, and implemented travel restrictions and quarantine policies for visitors from overseas countries/regions, resulting in a sharp decrease in the number of visitors to Hong Kong. According to statistics from the Hong Kong Tourism Bureau, the total number of inbound tourists in 2020 was 3.57 million, a decrease of 93.6% compared to 2019, which had a serious impact on the hotel industry in Hong Kong, as well as the Group’s "Pentahotel Hong Kong Tuen Mun" located in Tuen Mun.

In order to compensate for the substantial decline of tourists, the Group’s hotel strengthened its efforts to attract local residents to the hotel for vacations or short stays during the year, and also provided accommodation for frontline medical services personnel in the nearby hospitals. Under the pandemic situation, the hotel still managed to maintain the average occupancy rate of approximately 60.7% in 2020, compared to 82.3% in 2019.

The average room rate during the year declined by approximately 22.1% compared to 2019. In terms of cost control, the hotel has implemented measures including employees taking no-paid leave and reducing unnecessary hotel expenses. During the year, the hotel received government subsidies for the catering industry and under the employment support programs, which eased part of the cost burden of the hotel.

As of December 31, 2020, the hotel business contributed HK$31,609,000 to the Group’s operating income, a decrease of 44.5% from last year. Before deducting the hotel property’s depreciation, it recorded a loss of HK$625,000 for the year, whereas a profit of HK$7,462,000 was recorded for 2019. After deducting the hotel property’s depreciation, the hotel business recorded a loss of HK$24,646,000, compared with a loss of HK$16,443,000 in 2019.

As there is still no sign that the Covid-19 pandemic can be brought under control in short term, it is estimated that Hong Kong's travel restrictions will not be lifted shortly. On the other hand, since the pandemic in mainland China has largely been contained, coupled with the launching of extensive vaccination programs in Hong Kong and the world, it is expected that the “entry and exit” restrictions on mainland China and nearby Asian countries with Hong Kong may be relaxed in the second half of 2021. It shall therefore lead the hotel industry in Hong Kong to the road of recovery. According to estimates by the Hong Kong Tourism Bureau, the number of tourists visiting Hong Kong in 2021 is expected to rise to approximately 9.6 million. Although a full recovery is still far away, at least a bottom-out of the Hong Kong tourist industry is expected in 2021.

In 2021, the Group’s hotel will strive to attract various local customers, including through online travel agencies, as well as corporate customers and residents in Tuen Mun and Yuen Long district. On the other hand, the hotel will further strengthen its cost control in 2021. However, the Group's hotel loss may be expected to increase in the first half of 2021, due to the lack of further government subsidies in the period.

Property development business

In 2020, the architectural design drawings of the Group's "Hue Square" in Hue Province, Vietnam was completed and approved by the Hue Provincial Government. "Hue Square" is designed as a complex including a hotel and a shopping mall, with two levels of underground parking. As a result of the entry restrictions imposed by the Vietnamese government since the Covid-19 pandemic, the engineers and technicians from Hong Kong have not been able to work on site. In addition, the social distancing measures implemented by the Vietnamese government have also hindered the development of the project. Therefore, it is expected that the development of "Hue Square" will be delayed accordingly. The pile test works are currently underway on the site, and the basement excavation works will start in the second quarter of 2021. It is expected that the construction of the superstructure of the "Hue Square" will commence in the fourth quarter of 2021.

In 2020, affected by the Covid-19 pandemic, the supply of residential property in Ho Chi Minh City, Vietnam decreased. The new supply of multi-storey apartment buildings was the lowest in five years. The average market price of the residential property was steady with modest increase compared to 2019. The Group is still looking for the best timing in developing its land reserve in Binh Thanh District, Ho Chi Minh City into a residential development project.

Dividends

The board of directors recommends the distribution of a final dividend of HK3 cents per share to each shareholder. Together with the interim dividend of HK2 cents per share for the year, the total dividend for the year is 5 cents per share.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group’s cash, bank balances and time deposits as at 31 December 2020 amounted to HK$454,752,000 (31 December 2019:HK$381,055,000). The Group’s total bank and other borrowings amounted to HK$8,750,000 (31 December 2019: HK$16,250,000), of which HK$8,750,000 (31 December 2019: HK$16,250,000) was repayable within 1 year/on demand clause and none of them (31 December 2019: none) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK dollars. Of the total borrowings, none of them 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 2020 (31 December 2019: not applicable).

Significant investments held

As at 31 December 2020, the Group has no significant investment held.

Details of charges

As at 31 December 2020, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK$538,854,000, certain investment properties with a fair value of HK$135,000,000 and certain rental income generated therefrom 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 0.15% as at 31 December 2020 when compared to the rate as at 31 December 2019. The Group recorded an exchange loss of HK$3,347,000 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 2020, the Group's capital commitments amounted to HK$4,672,000 (31 December 2019: HK$7,372,000).

Details of contingent liability

As at 31 December 2020, the Group has no significant contingent liability (31 December 2019: Nil).

Employees and Remuneration Policy

As at 31 December 2020, the Group had approximately 1,110 employees, of which about 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$53,675,000 for the year ended 31 December 2020 (31 December 2019: HK$69,080,000). 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 (2019: HK3 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 8 June 2021 to Friday 11 June 2021, 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 Monday 7 June 2021.

(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 18 June 2021 to Monday 21 June 2021, 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 Thursday 17 June 2021.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Monday 21 June 2021 and the payment date of the dividend is expected to be Tuesday 6 July 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, repurchase of 2,740,000 shares at at HK$1.22 per share with a total amount of about HK$3,342,800 were made by the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). All of the repurchased shares were subsequently cancelled. As at 31 December 2020 and up to the date of this announcement, the total number of shares of the Company in issue was 502,557,418 shares.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

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 2020, 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 10 June 2020 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 2020 Annual Report to be despatched to the shareholders in late-April 2021.

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 2020.

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 2020 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 2020 and 31 December 2020.

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 11 June 2021.

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, 31 March 2021

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