陸氏集團(越南控股)有限公司
LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366

陸氏

Interim Report 2018

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Management Discussion and Analysis

Business Review and Outlook

During the first half of 2018, along Vietnam's steady economic growth, the Group's Saigon Trade Center in Ho Chi Minh City of Vietnam was performing well. Yet, the cement business recorded profit decline as a result of keen competition and increasing costs. The hotel business in Hong Kong was steady bringing stable cashflow to the Group.

Vietnam's economy was growing steadily in the first half of this year, achieving a GDP growth rate of 7.08%. Industrial sector and tourism were particularly strong. Total pledged Foreign Direct Investments ("FDI") were around USD20.3 billion, representing a 5.7% increase comparing to the same period of last year. The currency was a bit soft during the period as a result of strong US dollars and weakening RMB. Vietnamese Dong (VND") VND recorded a devaluation of 1.1% against USD as at 30 June 2018, when comparing to the rate of 31 December 2017. Foreseeing the second half of this year, Vietnam's economy is expected to maintain a stable pace of development. However, global economic situation has become volatile, especially capital outflow and currencies depreciation of developing countries are the major concerns in the second half of the year.

For the six months ended 30 June 2018, the Group's turnover amounted to HK$366,200,000, representing an increase of approximately 5.3% as compared to HK$347,732,000 for the corresponding period of last year. The Group's turnover mainly came from cement business, property investment business and hotel business. The cement business recorded a turnover of HK$267,588,000, representing a decrease of 6.3% as compared to that of last year. While the property investment business recorded a turnover of HK$62,740,000, representing an increase of 10.4% as compared to that of last year. The hotel business brought in a turnover of HK$30,623,000 to the Group, being the first time in interim reports.

The Group recorded an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent of HK$36,575,000 for the first half of 2018, representing a decrease of 17.5% as compared to HK$44,354,000 of the same period last year. The basic earnings per share for the first six months of 2018 were HK7.2 cents per share (corresponding period for first six months of 2017: HK8.8 cents).

Cement Business

In the first half of 2018, Vietnam recorded national demand of 51.4 million tonnes of cement, a year-on-year increase of 25%, according to the Ministry of Construction. Yet, cement export was the major contributor to the increase, with the quantity of export surged 50% to 15.4 million tonnes for the first six months. Export markets mainly included Bangladesh, China, Taiwan and Philippines. The growth was particularly strong for exports to China during the period due to the policy change of the Chinese government by setting up restrictions on the quantity of cement produced by local cement producers in China.

For the six months ended 30 June 2018, cement and clinker sales of the Group's cement plant recorded a total of 812,000 tons, a year-on-year increase of approximately 5.8%. Since profit margin was lower than last year, the profit contributed from the cement sector to the Group dropped as a result. The profit after tax from the cement sector for the first half of 2018 was HK$11,328,000, representing a decrease of 57.9% when comparing to the same period last year.

The drop of profit was attributable to several reasons. From the macro point of view, despite strong economic growth, Vietnam's domestic demand of cement recorded relatively slight increase only. Whereas domestic supply increased when several new cement production lines came into operation in the northern region. With an over-supply cement market in the northern region, cement was being shipped to the central region, thus intensifying market competition and putting pressure on cement prices in the region.

On the other hand, production costs generally increased during the period, especially coal price and electricity. With keen market competition, the cement plant was difficult to increase its cement prices so as to transfer the costs increase to consumers, resulted in the profit margin being squeezed.

Moreover, the production lines of the Group's cement plant were not running smoothly during the period due to some technical problems. It ended up in more scrap produce and higher energy consumption. To improve, the cement plant is conducting a feasibility study to upgrade the production lines so as to enhance its efficiency and stability, as well as to increase its overall production capacity.

Looking forward, the cement sales is expected to be stable, probably a bit lower than the first half of 2018. Whereas profit contribution is expected to maintain as that of the first half of the year.

Vietnam Property Investment and Development

With Vietnam's economic growth accelerating, demand for office spaces in Ho Chi Minh City also increased during the first six months of 2018. New office buildings launched in the market during the period were quickly filled up. The overall vacancy rate of office market dropped to below 5%. Demand increase came from both local registered companies as well as multi-national companies, evidencing by new heights recorded for the figures of newly registered companies, as well as inflow of FDI in recent years. While the market occupancy rate of office spaces in Ho Chi Minh City increased in a significant extent, the average rental rate grew at a slower pace.

As at 30 June 2018, the lease-out rate of Saigon Trade Center was 79%, recorded a moderate increase comparing to 76% as at 31 December of 2017. The overall rental income of the Saigon Trade Center also showed an increase of about 12% when comparing to the same period last year.

As the supply of new office buildings in Ho Chi Minh City is still limited in this year, it is expected that both the lease-out rate and the rental rate of the Saigon Trade Center shall continued to be on a rising trend for the second half of 2018.

Hong Kong Hotel Project and Other Investment Properties

The Group's hotel located in Hong Kong, the **PENTAHOTEL HONG KONG, TUEN MUN**, continued to perform steadily during the first six months of 2018, with an average occupancy rate of 85%. The hotel contributed a total revenue of HK$30,623,000 and an EBITDA of HK$6,964,000 to the Group respectively during the period. After charging depreciation, the hotel operation recorded a loss of HK$6,045,000 for the first six months of 2018.

The hotel is conveniently located next to Tuen Mun MTR-West Rail Terminal Station, whilst it is on the side of industrial zone, flow of people is relatively scarce during evening time. As such, the restaurant of the hotel has been less utilized, whereas the retail areas of the hotel have not yet been fully occupied. However, the district is seen gradually transforming into a commercialized area, and profound changes on the district shall be expected in coming years, with the restaurant and retail areas of the hotel being benefited.

Management Discussion and Analysis

Foreseeing the second half of 2018, the hotel operation is expected to have a steady performance. However, there is a new hotel coming up into operation next to the Group's hotel. Whether it will bring benefits of localization and district transformation, or it will bring competition and challenge to the Group's hotel, the outcome is still uncertain. Nevertheless, the management is optimistic to the future of the hotel operation. In particular, seeing the accelerated development of the Tuen Mun District, the coming up of the airport connected road of the Hong Kong Zhuhai-Macao Bridge, as well as its strategic location as an important hub of the Great Bay Area, all demonstrate a promising future for the operation of the hotel in the district.

Dividend

The Board of Directors resolved to pay an interim dividend of HK4 cents to shareholders.

Financial Review

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2018 amounted to HK$227,059,000 (31 December 2017: HK$198,434,000). The Group's total borrowings amounted to HK$77,816,000 (31 December 2017: HK$61,509,000), of which HK$76,546,000 (31 December 2017: HK$60,538,000) was repayable within 1 year. All of the Group's borrowings were denominated in HK$. Of the total borrowings, about 2.5% were at fixed interest rates.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 0% as at 30 June 2018 (31 December 2017: 0%).

Employees and Remuneration Policy

As at 30 June 2018, the Group had approximately 1,210 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$34,520,000 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 2017.

Details of charges

As at 30 June 2018, a hotel property situated in Hong Kong including the related land and building with a carrying amount of HK$604,395,000 and certain investment properties with fair value of HK$153,000,000 were pledged to secure the above bank loans and general banking facilities granted to the Group.

Exposure to fluctuations in exchange rates and related hedges

The Group'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 0.67% as at 30 June 2018 when compared to the rate as at 31 December 2017. The Group recorded an exchange loss of HK$2,058,000 during the period.

Details of contingent liabilities

As at 30 June 2018, the Group had no significant contingent liabilities (31 December 2017: Nil).

Interim Financial Statements

Interim Results

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 2018, together with the comparative figures for the corresponding period in 2017. These 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 2018

	Notes	Six months ended 30 June 2018 (Unaudited) HK$'000	2017 (Unaudited) HK$'000
REVENUE	4	**366,200**	347,732
Cost of sales		**(241,745)**	(220,877)
Gross profit		**124,455**	126,855
Other income and gains, net	4	**8,643**	3,527
Selling and distribution expenses		**(38,118)**	(35,355)
Administrative expenses		**(41,000)**	(32,182)
Other expenses		**(2,058)**	(549)
Finance costs	5	**(990)**	(539)
PROFIT BEFORE TAX	6	**50,932**	61,757
Income tax expense	7	**(14,647)**	(15,794)
PROFIT FOR THE PERIOD		**36,285**	45,963
ATTRIBUTABLE TO:			
Owners of the parent		**36,575**	44,354
Non-controlling interests		**(290)**	1,609
		36,285	45,963
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK7.2 cents**	HK8.8 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**36,285**	45,963
OTHER COMPREHENSIVE (LOSS)/INCOME:		
Other comprehensive (loss)/income to be reclassified to		
profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,299)**	11,316
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(9,299)**	11,316
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**26,986**	57,279
Attributable to:		
Owners of the parent	**26,981**	57,802
Non-controlling interests	**5**	(523)
	26,986	57,279

Consolidated Statement of Financial Position

30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,210,007**	1,228,161
Investment properties		**1,141,950**	1,146,947
Prepaid land lease payments		**12,872**	12,893
Properties for development		**30,910**	31,401
Deposits		**277**	–
Total non-current assets		**2,396,016**	2,419,402
CURRENT ASSETS			
Inventories		**67,740**	63,264
Trade receivables	11	**61,884**	37,077
Prepayments, deposits and other receivables		**29,981**	47,178
Equity investments at fair value through profit or loss		**64**	59
Cash and cash equivalents		**227,059**	198,434
Total current assets		**386,728**	346,012
CURRENT LIABILITIES			
Trade payables	12	**19,890**	7,226
Other payables and accruals		**135,202**	139,258
Interest-bearing bank and other borrowings		**76,546**	60,538
Tax payable		**16,525**	21,769
Total current liabilities		**248,163**	228,791
NET CURRENT ASSETS		**138,565**	117,221
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,534,581**	2,536,623

Consolidated Statement of Financial Position (continued)

30 June 2018

	Note	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,534,581**	2,536,623
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**1,270**	971
Rental deposits		**24,876**	24,567
Provisions		**4,291**	4,101
Deferred tax liabilities		**206,771**	206,279
Total non-current liabilities		**237,208**	235,918
Net assets		**2,297,373**	2,300,705
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**5,053**	5,053
Reserves		**2,322,292**	2,325,629
		2,327,345	2,330,682
Non-controlling interests		**(29,972)**	(29,977)
Total equity		**2,297,373**	2,300,705

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the parent									
	Issued capital (Unaudited) HK$'000	**Share premium account (Unaudited) HK$'000**	**Contributed surplus (Unaudited) HK$'000**	**Capital redemption reserve (Unaudited) HK$'000**	**Property revaluation reserve (Unaudited) HK$'000**	**Exchange fluctuation reserve (Unaudited) HK$'000**	**Retained profits (Unaudited) HK$'000**	**Total (Unaudited) HK$'000**	**Non-controlling interests (Unaudited) HK$'000**	**Total equity (Unaudited) HK$'000**
At 1 January 2018	**5,053**	**738,496**	**175,009**	**703**	**24,173**	**(463,133)**	**1,850,381**	**2,330,682**	**(29,977)**	**2,300,705**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**36,575**	**36,575**	**(290)**	**36,285**
Other comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**–**	**(9,594)**	**–**	**(9,594)**	**295**	**(9,299)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**(9,594)**	**36,575**	**26,981**	**5**	**26,986**
Final 2017 dividend approved	**–**	**–**	**(30,318)**	**–**	**–**	**–**	**–**	**(30,318)**	**–**	**(30,318)**
At 30 June 2018	**5,053**	**738,496***	**144,691***	**703***	**24,173***	**(472,727)***	**1,886,956***	**2,327,345**	**(29,972)**	**2,297,373**

	Attributable to owners of the parent									
	Issued capital (Unaudited) HK$'000	Share premium account (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Capital redemption reserve (Unaudited) HK$'000	Property revaluation reserve (Unaudited) HK$'000	Exchange fluctuation reserve (Unaudited) HK$'000	Retained profits (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
At 1 January 2017	5,053	738,496	205,327	703	20,483	(484,319)	1,781,229	2,266,972	(31,416)	2,235,556
Profit for the period	–	–	–	–	–	–	44,354	44,354	1,609	45,963
Other comprehensive income/(loss) for the period	–	–	–	–	–	13,448	–	13,448	(2,132)	11,316
Total comprehensive income/(loss) for the period	–	–	–	–	–	13,448	44,354	57,802	(523)	57,279
Final 2016 dividend approved	–	–	(30,318)	–	–	–	–	(30,318)	–	(30,318)
At 30 June 2017	5,053	738,496	175,009	703	20,483	(470,871)	1,825,583	2,294,456	(31,939)	2,262,517

* These reserve accounts comprise the consolidated reserves of HK$2,322,292,000 (31 December 2017: HK$2,325,629,000) in the consolidated statement of financial position as at 30 June 2018.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Note	Six months ended 30 June **2018** **(Unaudited)** **HK$'000**	 2017 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**82,076**	75,384
Interest paid		**(924)**	(539)
Interest element of finance lease rental payments		**(66)**	–
Taxes paid		**(19,042)**	(10,620)
Net cash flows from operating activities		**62,044**	64,225
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,645**	2,225
Decrease/(increase) in time deposits with original maturity of over three months when acquired		**23,210**	(7,743)
Purchases of items of property, plant and equipment	10	**(20,336)**	(89,890)
Proceed from disposal of items of property, plant and equipment		**–**	3,241
Net cash flows used in investing activities		**4,519**	(92,167)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**16,620**	50,000
Repayment of bank loans		**–**	(13,515)
Capital element of finance lease rental payments		**(314)**	(251)
Dividends paid		**(30,318)**	(30,318)
Net cash flows (used in)/from financing activities		**(14,012)**	5,916
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**52,551**	(22,026)
Cash and cash equivalents at beginning of period		**151,305**	164,309
Effect of foreign exchange rate changes, net		**(716)**	1,442
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**203,140**	143,725
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**111,420**	63,689
Non-pledged time deposits with original maturity of less than three months when acquired		**91,720**	80,036
Non-pledged time deposits with original maturity of over three months when acquired		**23,919**	52,418
Cash and cash equivalents as stated in the statement of financial position		**227,059**	196,143
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(23,919)**	(52,418)
Cash and cash equivalents as stated in the statement of cash flows		**203,140**	143,725

Notes to Condensed Consolidated Financial Statements

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 to the unaudited interim condensed consolidated financial statements.

These 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").

These 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 2017.

The accounting policies and basis of preparation adopted in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 2 below.

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

2. Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to a number of HKFRSs issued in March 2017*

2. Changes in Accounting Policies and Disclosures (continued)

Other than as explained below regarding the impact of HKFRS 9, HKFRS 15 and Amendments to HKFRS 15, the adoption of the above revised standards has had no significant financial effect on the interim financial information. The nature and the impact of the changes are described below:

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 supersedes HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group adopted HKFRS 15 using the modified retrospective method which allows the Group to recognise the cumulative effects of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits in the 2018 financial year. The Group elected to apply the practical expedient for completed contracts and did not restate the contracts completed before 1 January 2018, thus the comparative figures have not been restated.

Revenue recognition

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

Except for the reclassification effect below, the adoption of HKFRS 15 do not have material financial impact on the Group's consolidated financial statement.

Reclassifications were made as at 30 June 2018 to be consistent with the terminology used under HKFRS 15 and, accordingly, advances received from customers of HK$12,817,000 were reclassified from receipts in advance to contract liabilities under other payables and accruals.

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The group has applied HKFRS 9 retrospectively in accordance with the transition requirements, with initial application date of 1 January 2018. The Group has elected not to adjust the comparative information for the period beginning 1 January 2017. Therefore, comparative information continues to be reported under HKAS 39. The impacts relating to the classification and measurement and the impairment requirements are summarised as follows:

(a) Classification and measurement

Except for trade receivables, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent "solely payments of principal and interest" on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets are, as follows:

- Debt instruments at amortised cost that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's trade receivables and financial assets included in prepayments, deposits and other receivables.

Other financial assets are classified and subsequently measured, as follows:

- Financial assets at FVPL comprise quoted equity instruments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVOCI. This category would also include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. The accounting for the Group's quoted equity investments at fair value through profit or loss has not changed from that required by HKAS 39.

2. Changes in Accounting Policies and Disclosures (continued)

HKFRS 9 *Financial Instruments* *(continued)*

(a) Classification and measurement *(continued)*

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The adoption of HKFRS 9 has had no significant effect on the Group's accounting policies related to financial assets and financial liabilities.

(b) Impairment of financial assets

HKFRS 9 requires an impairment on trade receivables, deposits and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group applied the simplified approach and recorded lifetime expected losses that were estimated based on the present value of all cash shortfalls over the remaining life of all of its deposits and other receivables and trade receivables, respectively. The Group performed a detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables. The adoption of HKFRS 9 has had no significant impact on the impairment of the financial assets of the Group.

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

3. Operating Segment Information

The Group's operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group's operating segments for the six months ended 30 June 2018 and 2017.

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	(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:												
Revenue from contract with customers:												
Recognised at a point in time	**267,588**		**-**		**-**		**-**		**5,249**		**272,837**	
Revenue from other sources	**-**		**62,740**		**30,623**		**-**		**-**		**93,363**	
Sales to external customers	**267,588**	285,724	**62,740**	56,826	**30,623**	–	**-**	–	**5,249**	5,182	**366,200**	347,732
Other income and gains, net	**4**	1,381	**45**	(238)	**-**	–	**7,019**	130	**60**	(10)	**7,128**	1,263
	267,592	287,105	**62,785**	56,588	**30,623**	–	**7,019**	130	**5,309**	5,172	**373,328**	348,995
Segment results	**15,287**	33,655	**50,678**	42,121	**(6,045)**	–	**6,088**	(1,172)	**(16,721)**	(15,111)	**49,287**	59,493
Reconciliation:												
Interest income											**1,645**	2,264
Profit before tax											**50,932**	61,757
Income tax expense	**(3,959)**	(6,776)	**(10,688)**	(9,018)	**-**	–	**-**	–	**-**	–	**(14,647)**	(15,794)
Profit for the period											**36,285**	45,963

4. Revenue, Other Income and Gains

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

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue		
Sale of cement	**267,588**	285,724
Gross rental income	**62,740**	56,826
Hotel operation income	**30,623**	–
Sale of electronic products	**5,249**	5,182
	366,200	347,732
Other income and gains, net		
Interest income	**1,645**	2,264
Foreign exchange gains, net	**–**	459
Gain on disposal of scrap materials	**–**	660
Reversal of impairment of other receivables in prior years	**6,990**	–
Others	**8**	144
	8,643	3,527

5. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**924**	488
Interest on finance leases	**66**	51
	990	539

6. Profit Before Tax

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**206,042**	213,706
Depreciation	**38,596**	23,159
Amortisation of land lease payments	**452**	645
Foreign Exchange loss, net	**2,058**	–
Loss on disposal of items of property, plant and equipment, net	**–**	549

7. Income Tax

No provision for Hong Kong profits tax has been made (six months ended 30 June 2017: 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	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current charge for the period		
Elsewhere	**13,110**	14,096
Underprovision in prior years		
Elsewhere	**755**	447
Deferred	**782**	1,251
Total tax charge for the period	**14,647**	15,794

8. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the 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 2017: 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 2018 and 2017 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Dividend

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim – HK4 cents (six months ended 30 June 2017: HK5 cents) per ordinary share	**20,212**	25,265

10. Additions to Property, Plant and Equipment

During the six months ended 30 June 2018, the Group incurred approximately HK$20,335,673 (six months ended 30 June 2017: HK$89,890,000) on the acquisition of items of property, plant and equipment.

11. Trade Receivables

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

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

11. Trade Receivables (continued)

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 to 30 days	**60,487**	32,215
31 to 60 days	**1,397**	3,615
61 to 90 days	**–**	514
91 to 120 days	**–**	173
Over 120 days	**–**	560
	61,884	37,077

12. Trade Payables

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

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
0 to 30 days	**16,225**	6,995
31 to 60 days	**39**	3
61 to 90 days	**1,556**	–
Over 90 days	**2,070**	228
	19,890	7,226

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

13. Share Capital

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Authorised:		
760,000,000 ordinary shares of HK$0.01 each	**7,600**	7,600
Issued and fully paid:		
505,297,418 ordinary shares of HK$0.01 each	**5,053**	5,053

14. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from one to eight years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At the end of the reporting period, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**108,942**	101,741
In the second to fifth years, inclusive	**93,791**	99,310
After five years	**–**	12
	202,733	201,063

14. Operating Lease Arrangements (continued)

(b) As lessee

The Group leases certain of its land and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from two to fifty years.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Within one year	**757**	851
In the second to fifth years, inclusive	**3,027**	3,220
After five years	**15,378**	13,531
	19,162	17,602

15. Commitments

In addition to the operating lease arrangements detailed in note 14 above, the Group had the following capital commitments at the end of the reporting period:

	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
Contracted, but not provided for:		
Land	**188,159**	189,426

16. Related Party Transactions

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Short-term employee benefits	**6,290**	5,705
Post-employment benefits	**36**	36
Total compensation paid to key management personnel	**6,326**	5,741

In the opinion of the directors, the directors of the Company represent the key management personnel of the Group.

17. Contingent Liabilities

At the end of the reporting period, the Group had no significant contingent liabilities.

18. Approval of the Unaudited Interim Condensed Consoliated Financial Statements

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 30 August 2018.

Other Information

Interim Dividend

The Board has resolved to declare an interim dividend of HK4 cents (six months ended 30 June 2017: HK5 cents) per ordinary share in issue in respect of the six months ended 30 June 2018.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 26 September 2018 to Friday, 28 September 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 September 2018. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Friday, 28 September 2018 on or before Friday, 12 October 2018.

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 30 June 2018, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Long positions in ordinary shares of the Company:

		Number of shares held, capacity and nature of interest					
Name of director	Notes	Directly beneficially owned	Family interest held by spouse	Through controlled corporation	Through trustee of a Trust	Total	Percentage of the Company's issued share capital
Cheng Cheung	(a)	20,942,800	–	36,912,027	–	57,854,827	11.45
Luk Yan	(b)	3,070,800	174,000	–	272,824,862	276,069,662	54.64
Luk Fung	(b)	3,229,600	–	–	272,824,862	276,054,462	54.63
Luk Sze Wan, Monsie	(b)	1,300,00	–	–	272,824,862	274,124,862	54.25
Fan Chiu Tat, Martin		1,500,000	–	–	–	1,500,000	0.30

Notes:

(a) Madam Cheng Cheung had a beneficial interest in CC (Holdings) Limited, which held 36,912,027 shares of the Company at the end of the reporting period.

(b) The interests disclosed by Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie under the heading "Through Trustee of a Trust" in the above table refer to the same shares held by Luks Family (PTC) Limited, as trustee of The Luks Family Trust. Each of Mr. Luk Yan, Mr. Luk Ngai, Mr. Luk Fung and Mrs. Luk Sze Wan, Monsie was the beneficiary of The Luks Family Trust. The shareholdings of Mr. Luk Ngai and Luks Family (PTC) Limited were disclosed in the below section referring to Substantial Shareholders' interests in shares.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with minimum company membership requirements.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

At no time during the period were rights to acquire benefits by means of the acquisition of shares of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 30 June 2018, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.31
Luks Family (PTC) Limited	Directly beneficially owned	272,824,862	53.99
Luk Ngai (Note)	Directly beneficially owned and through Trustee of a Trust	276,214,862	54.66

Note: Mr. Luk Ngai's interests included a personal interest of 3,390,000 shares of the Company and as one of the beneficiaries together with Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie of the 272,824,862 shares of the Company held by Luks Family (PTC) Limited (being trustee of The Luks Family Trust).

Save as disclosed above, as at 30 June 2018, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

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 2018.

Other Information

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 following: –

(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 29 May 2018 and Mr. Liang Fang and Mr. Liu Li Yuan did not attend the annual general meeting due to their other business commitments.

Model Code for Securities Transactions

The Company has adopted the Model Code as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code throughout the accounting period covered by the interim report.

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 2018.

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

Cheng Cheung
Chairman

Hong Kong
30 August 2018