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 2019

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Management Discussion and Analysis

Business Review and Outlook

In the first half of 2019, the overall business of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") grew steadily compared to the same period last year. In the business segment, the profit of each business recorded a moderate increase. The Group recorded a one-off gain of approximately HK$15.6 million in the recovery of land deposits, resulting in an increase in the Group's overall profit for over 50% as compared to the same period last year. In terms of turnover, both the hotel business and the property investment business recorded growth, while the cement business recorded a decline. As the cement business had a major share in the Group's turnover, the Group's turnover recorded a decline during the period as a result.

In the regional segment, Vietnam is the main source of revenue and profit of the Group. In the first half of 2019, Vietnam's economy has slowed from its peak in 2018. Vietnam's GDP growth rate was 6.76%, compared with 7.08% in the same period last year. Yet, Vietnam was still one of the highest growth countries in Asia in the period. During this period, Vietnam's economy performed steadily, with inflation being under control, and the currency was stable. The Vietnamese Dong was slightly depreciated by about 0.69% against the HK dollar as compared to the rate as at 31 December 2018.

For the six months ended 30 June 2019, the Group's turnover amounted to HK$330,624,000, representing a decrease of approximately 9.7% compared with HK$366,200,000 recorded in the same period last year. The Group's turnover mainly came from its cement business, property investment business and hotel business. The cement business recorded a turnover of HK$219,307,000, representing a decrease of 18% compared with the same period last year. The property investment business recorded a turnover of HK$71,189,000, representing an increase of 13.5% compared with the same period last year. And the hotel business recorded a turnover of HK$33,520,000, representing an increase of 9.5% compared with the same period last year.

The Group recorded an unaudited consolidated net profit from ordinary activities attributable to the owners of the parent of HK$56,208,000 for the first half of 2019, representing an increase of 54.9% as compared to HK$36,285,000 of the same period last year. The basic earnings per share for the first six months of 2019 were HKD11.1 cents per share (corresponding period for first six months of 2018: HKD7.2 cents).

Cement Business

With the economic slowdown in Vietnam in the first half of 2019, the demand for cement in the domestic market in Vietnam declined. Whereas the Asian economy also faced a slowdown and in particular, the demand for cement in the Chinese market decreased, resulting in a decline in Vietnamese cement exports. As a result, Vietnam's overall cement demand declined.

The sales of the Group's cement plant in central Vietnam was particularly adversely affected. For the six months ended 30 June 2019, the cement and clinker sales of the Group's cement plant were 659,000 tons, a decrease of approximately 19% over the same period last year. After strengthening cost control and a slight increase in the ex-factory price of cement, the profit margin improved slightly. The after-tax profit of the cement business for the first six months was HK$12,879,000, an increase of approximately 13.7% over the same period last year.

Apart from the demand decrease in the Vietnam's cement market and fierce market competition, the reason for the decrease in turnover of the Group's cement plant was also attributable to a slowdown of construction projects in the central region, due to the limitation on the supply of construction sand in the region during the period.

On the other hand, coal, electricity and diesel prices increased during the period, resulted in driving up the production cost of cement. Yet, raw material costs are expected to be more stable in the second half of the year.

In the second half of the year, the sales volume of the Group's cement and clinker is expected to be similar to that of the first half of the year, resulting in a total sales volume of approximately 1.3 million tons for the full year of 2019. The Group will modify one of the main production lines by the timing of the rainy season starting from November of the year. After the completion of the modification, the efficiency of the production line will be improved and the production cost will be reduced. The modification of the production line is expected to be completed before the 2020 Lunar New Year.

Property Investment

In the first half of 2019, the rental market for office buildings in Ho Chi Minh City, Vietnam performed well. Although new supply of office spaces exceeded 40,000 square meters during the period, it was quickly absorbed by the market, indicating a robust demand on the office spaces in Ho Chi Minh City. Demand was especially strong in the Central Business District pushing up rents further for the first half of the year.

According to the figures of the Vietnamese Bureau of Statistics, for the first six months of 2019, Vietnam recorded new foreign direct investments and new registered enterprises of US$18.5 billion and 67,000 respectively. A large number of newly registered foreign and local enterprises have, thus, become a strong driving force for office demand in Ho Chi Minh City.

The Saigon Trade Centre, the Group's office building located in the CBD of Ho Chi Minh City, was therefore benefited. As at 30 June 2019, the lease-out rate of Saigon Trade Centre was 81%, similar to the rate recorded as of 31 December of 2018. The overall rental income of Saigon Trade Centre increased for about 10% when comparing to the same period last year.

Looking forward to the second half of the year, the uncertainty of the global economy will become the biggest threat to the Vietnam's economic growth, and may also have an impact on the demand for the office market in Ho Chi Minh City. Besides, new supply of office spaces is on the increase, especially in the peripheral of the CBD. However, demand is expected to remain strong with a continuously growing Vietnam's economy. Also, seeing a limited supply of Grade A and Grade B office buildings in the CBD, the leasing situation of the Saigon Trade Centre is expected to remain good in the second half of 2019.

Property Development

During the period, the Group finalised the development plan of Hue Square in the Hue Province, Vietnam. The complex building will principally be a hotel with several floors of retail areas, in which the Group believes it shall be able to tap into the most benefits from its prime location in the centre of the Hue Province. The hotel is designed and built with the concept of "Lifestyle Hotel". It will be the Group's first hotel operation in Vietnam, upon its completion and operation scheduled in the second half of 2021.

After several years of booming of the HCMC residential market, the frenzy was seen slightly cooling down in the first half of 2019. The supply of the residential apartments also dropped, partly attributable to the government restrictive measures on the development of property projects, seeing an oversupply in the market in a short run. The residential market is expected to be more stable and healthier as a result. The Group's residential project in Binh Thanh District of the HCMC is still on hold pending for suitable moment for development.

Management Discussion and Analysis

The Group invested in some plots of land in Ho Chi Minh City, Vietnam, many years ago, with the initial purpose of converting these lands into residential development projects. However, due to the arduous difficulties in applying for the conversion, the Group decided to suspend the investments and recover the land deposits. Since prices of lands increased, the Group made a profit of approximately HK$15.6 million in the recovery of the deposits and was recorded into the accounts during the period.

Hotel Business

According to the figures of the Hong Kong Tourism Board, the number of visitors and overnight visitors to Hong Kong increased by approximately 14% and 8% respectively in the first half of 2019, probably attributable to the commissioning of the Hong Kong Section of Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge. The Group's pentahotel Hong Kong, Tuen Mun was thus also benefited.

The Group's hotel recorded an average occupancy rate of 89.4% for the first six months of 2019, representing an increase of 3.8% as compared to the same period last year. The average room rate also recorded an increase of 2.7%.

For the six months ended 30 June 2019, the hotel business contributed HK$33,520,000 to the Group's revenue, representing an increase of approximately 9.5%. Profit before depreciation was HK$7,919,000, representing an increase of 13.7% compared to the profit of HK$6,964,000 recorded in the same period last year. After deducting the depreciation, the hotel business recorded a loss of HK$4,933,000, a decrease of 18.4% from the loss of HK$6,045,000 recorded in the same period last year.

However, as a result of a series of protests and conflicts arising from the extradition bill in Hong Kong since June this year, the overall hotel industry in Hong Kong has seen its hardest hit in recent years. After many countries issued travel warnings to Hong Kong, the number of visitors to Hong Kong dropped sharply. Most hotels, including the Group's hotel, have to lower their prices in order to secure occupancy rates, resulting in a decline in the Group's hotel prices and occupancy rates after mid-June of the year. At this stage, it is still difficult for the management to estimate the actual impact of the Group's hotel business in the second half of the year, but it is believed that the impact should be temporary. Yet its effect on the Group's hotel business shall still depend on when the turmoil will end and when the tourism in Hong Kong will go back to normal.

Dividend

The Board of Directors resolved to pay an interim dividend of HK6 cents to shareholders.

Financial Review

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2019 amounted to HK$395,369,000 (31 December 2018: HK$258,703,000). The Group's total bank and other borrowings amounted to HK$81,271,000 (31 December 2018: HK$41,216,000), of which HK$80,750,000 (31 December 2018: HK$40,315,000) was repayable within 1 year or on demand clause, and HK$521,000 (31 December 2018: HK$901,000) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK$. Of the total borrowings, about 1.6% were at fixed interest rates.

Significant investments held

As at 30 June 2019, the Group has no significant investment held.

Details of charges

As at 30 June 2019, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK$583,188,000 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 0.69% as at 30 June 2019 when compared to the rate as at 31 December 2018. The Group recorded an exchange loss of HK$512,000 during the period. There was no significant change in the strategies used to reduce foreign exchange risk as described in the annual report of the Group as at 31 December 2018.

Details of capital commitments

The Group had the capital commitments in relation the Property, plant and equipment amounted to HK$1,454,000 (31 December 2018: HK$1,464,000).

Details of contingent liabilities

As at 30 June 2019, the Group had no significant contingent liabilities (31 December 2018: Nil).

Employees and Remuneration Policy

As at 30 June 2019, the Group had approximately 1,190 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$33,859,000 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 2018.

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 2019, together with the comparative figures for the corresponding period in 2018. 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 2019

		Six months ended 30 June	
	Notes	**2019 (Unaudited) HK$'000**	2018 (Unaudited) HK$'000
REVENUE	4	**330,624**	366,200
Cost of sales		**(232,412)**	(241,745)
Gross profit		**98,212**	124,455
Other income and gains, net	4	**19,537**	8,643
Selling and distribution expenses		**(7,883)**	(38,118)
Administrative expenses		**(37,393)**	(41,000)
Other expenses		**(518)**	(2,058)
Finance costs	5	**(601)**	(990)
PROFIT BEFORE TAX	6	**71,354**	50,932
Income tax expense	7	**(15,146)**	(14,647)
PROFIT FOR THE PERIOD		**56,208**	36,285
ATTRIBUTABLE TO:			
Owners of the parent		**56,339**	36,575
Non-controlling interests		**(131)**	(290)
		56,208	36,285
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		**HK11.1 cents**	HK7.2 cents

Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
PROFIT FOR THE PERIOD	**56,208**	36,285
OTHER COMPREHENSIVE LOSS:		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(9,750)**	(9,299)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	**(9,750)**	(9,299)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**46,458**	26,986
Attributable to:		
Owners of the parent	**46,589**	26,981
Non-controlling interests	**(131)**	5
	46,458	26,986

Interim Financial Statements

Consolidated Statement of Financial Position

30 June 2019

	Notes	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**1,139,092**	1,170,196
Right-of-use assets		**11,686**	–
Investment properties		**1,124,378**	1,130,015
Prepaid land lease payments		**–**	11,645
Properties for development		**29,080**	29,782
Prepayments		**340**	4,812
Total non-current assets		**2,304,576**	2,346,450
CURRENT ASSETS			
Inventories		**75,048**	67,739
Trade receivables	11	**64,142**	42,529
Prepayments, other receivables and other assets		**9,779**	103,251
Financial assets at fair value through profit or loss		**57**	57
Cash and cash equivalents		**395,369**	258,703
Total current assets		**544,395**	472,279
CURRENT LIABILITIES			
Trade payables	12	**13,870**	13,532
Other payables and accruals		**122,329**	139,520
Interest-bearing bank and other borrowings		**80,750**	40,315
Tax payable		**15,716**	22,773
Total current liabilities		**232,665**	216,140
NET CURRENT ASSETS		**311,730**	256,139
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,616,306**	2,602,589

Consolidated Statement of Financial Position (continued)

30 June 2019

	Note	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,616,306**	2,602,589
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**521**	901
Rental deposits		**22,746**	25,261
Provisions		**4,200**	4,015
Deferred tax liabilities		**202,047**	201,760
Total non-current liabilities		**229,514**	231,937
Net assets		**2,386,792**	2,370,652
EQUITY			
Equity attributable to owners of the parent			
Issued capital	13	**5,053**	5,053
Reserves		**2,410,179**	2,393,908
		2,415,232	2,398,961
Non-controlling interests		**(28,440)**	(28,309)
Total equity		**2,386,792**	2,370,652

Consolidated Statement of Changes In Equity

For the six months ended 30 June 2019

	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 2019	**5,053**	**738,496**	**175,009**	**703**	**24,173**	**(488,163)**	**1,943,690**	**2,398,961**	**(28,309)**	**2,370,652**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**56,339**	**56,339**	**(131)**	**56,208**
Other comprehensive loss for the period	**–**	**–**	**–**	**–**	**–**	**(9,750)**	**–**	**(9,750)**	**–**	**(9,750)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**–**	**(9,750)**	**56,339**	**46,589**	**(131)**	**46,458**
Final 2018 dividend approved	**–**	**–**	**–**	**–**	**–**	**–**	**(30,318)**	**(30,318)**	**–**	**(30,318)**
At 30 June 2019	**5,053**	**738,496***	**175,009***	**703***	**24,173***	**(497,913)***	**1,969,711***	**2,415,232**	**(28,440)**	**2,386,792**

	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)	1,850,092	2,330,393	(29,977)	2,300,416
Profit for the period	–	–	–	–	–	–	36,575	36,575	(290)	36,285
Other comprehensive income/(loss) 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)	1,886,667	2,327,056	(29,972)	2,297,084

* These reserve accounts comprise the consolidated reserves of HK$2,410,179,000 (31 December 2018: HK$2,393,908,000) in the consolidated statement of financial position as at 30 June 2019.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Note	Six months ended 30 June **2019** **(Unaudited)** **HK$'000**	 2018 (Unaudited) HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations		**155,238**	82,076
Interest paid		**(564)**	(924)
Interest element of finance lease rental payments		**(37)**	(66)
Taxes paid		**(20,534)**	(19,042)
Net cash flows from operating activities		**134,103**	62,044
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,362**	1,645
Decrease in time deposits with original maturity of over three months when acquired		**68,506**	23,210
Purchases of items of property, plant and equipment	10	**(9,010)**	(20,336)
Proceed from disposal of items of property, plant and equipment		**410**	–
Net cash flows from investing activities		**63,268**	4,519
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**60,000**	16,620
Repayment of bank loans		**(19,484)**	–
Principal portion of lease payments/finance lease rental payments		**(460)**	(314)
Dividends paid		**(30,318)**	(30,318)
Net cash flows from/(used in) financing activities		**9,738**	(14,012)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**207,109**	52,551
Cash and cash equivalents at beginning of period		**176,774**	151,305
Effect of foreign exchange rate changes, net		**(1,937)**	(716)
CASH AND CASH EQUIVALENTS AT END OF PERIOD		**381,946**	203,140
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**115,709**	111,420
Non-pledged time deposits with original maturity of less than three months when acquired		**266,237**	91,720
Non-pledged time deposits with original maturity of over three months when acquired		**13,423**	23,919
Cash and cash equivalents as stated in the statement of financial position		**395,369**	227,059
Less: Non-pledged time deposits with original maturity of over three months when acquired		**(13,423)**	(23,919)
Cash and cash equivalents as stated in the statement of cash flows		**381,946**	203,140

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.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

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

2. Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

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

2. Changes in Accounting Policies and Disclosures (continued)

Other than as explained below regarding the impact of HKFRS 16 *Leases* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the adoption of the above new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated statements. The nature and the impact of the changes are described below:

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

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. The comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

2. Changes in Accounting Policies and Disclosures (continued)

(a) Adoption of HKFRS 16 *(continued)*

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property, machinery, vehicles and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date and presented under "Right-of-use assets" in the consolidated statement of financial position.

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

The effect of adoption HKFRS 16 as at 1 January 2019 is as follows:

	Increase/ (decrease) HK$'000 (unaudited)
Assets	
Increase in right-of-use assets	11,889
Decrease in prepaid lease payments	(11,645)
Decrease in prepayments, other receivables and other assets	(244)
Changes in total assets	–

2. Changes in Accounting Policies and Disclosures (continued)

(a) Adoption of HKFRS 16 *(continued)*

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting polices upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "investment properties".

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. Changes in Accounting Policies and Disclosures (continued)

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

The Group has not 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 2019 and 2018.

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
	(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 (note 4)												
Sales to external customers	**219,307**	267,588	**71,189**	62,740	**33,520**	30,623	**-**	-	**6,608**	5,249	**330,624**	366,200
Other income and gains, net	**49**	4	**522**	45	**-**	-	**15,603**	7,019	**-**	60	**16,174**	7,128
	219,356	267,592	**71,711**	62,785	**33,520**	30,623	**15,603**	7,019	**6,608**	5,309	**346,798**	373,328
Segment results	**16,203**	15,287	**56,414**	50,678	**(4,933)**	(6,045)	**14,674**	6,088	**(14,366)**	(16,721)	**67,992**	49,287
Reconciliation:												
Interest income											**3,362**	1,645
Profit before tax											**71,354**	50,932
Income tax expense	**(3,324)**	(3,959)	**(11,822)**	(10,688)	**-**	-	**-**	-	**-**	-	**(15,146)**	(14,647)
Profit for the period											**56,208**	36,285

4. Revenue, Other Income and Gains

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of cement	**219,307**	267,588
Sale of electronic products	**6,608**	5,249
Rendering of property management and related services	**17,589**	16,900
Hotel operation income	**33,520**	30,623
Revenue from other sources		
Gross rental income	**53,600**	45,840
	330,624	366,200

4. Revenue, Other Income and Gains (continued)

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2019

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

4. Revenue, Other Income and Gains (continued)

Disaggregated revenue information for revenue from contracts with customers *(continued)*

For the six months ended 30 June 2018

Segments	Cement products HK$'000 (Unaudited)	Property investment HK$'000 (Unaudited)	Hotel operation HK$'000 (Unaudited)	Corporate and others HK$'000 (Unaudited)	Total HK$'000 (Unaudited)
Type of goods or services					
Sale of cement	267,588	–	–	–	267,588
Sale of electronic products	–	–	–	5,249	5,249
Property management and related services	–	16,900	–	–	16,900
Hotel and related services	–	–	30,623	–	30,623
Total revenue from contracts with customers	267,588	16,900	30,623	5,249	320,360
Geographical markets					
Vietnam	267,588	16,900	–	–	284,488
Hong Kong	–	–	30,623	5,249	35,872
Total revenue from contracts with customers	267,588	16,900	30,623	5,249	320,360
Timing of revenue recognition					
Goods transferred at a point in time	267,588	–	2,356	5,249	275,193
Services transferred over time	–	16,900	28,267	–	45,167
Total revenue from contracts with customers	267,588	16,900	30,623	5,249	320,360

Other income and gains

	Six months ended 30 June	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Interest income	**3,362**	1,645
Reversal of impairment of other receivables in prior years	**–**	6,990
Gain from recovery of the land deposits	**15,603**	–
Others	**572**	8
	19,537	8,643

5. Finance Costs

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest on bank loans	**564**	924
Interest on finance leases	**37**	66
	601	990

6. Profit Before Tax

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Cost of inventories sold	**195,726**	206,042
Depreciation of property, plant and equipment	**38,208**	38,596
Depreciation of right-of-use assets	**122**	-
Amortisation of land lease payments	**-**	452
Foreign exchange loss, net	**512**	2,058

7. Income Tax

No provision for Hong Kong profits tax has been made (six months ended 30 June 2018: 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	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current charge for the period		
Elsewhere	**12,431**	13,110
Underprovision in prior years		
Elsewhere	**1,042**	755
Deferred	**1,673**	782
Total tax charge for the period	**15,146**	14,647

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 2018: 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 2019 and 2018 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. Dividend

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interim – HK6 cents (six months ended 30 June 2018: HK4 cents) per ordinary share	**30,318**	20,212

10. Additions to Property, Plant and Equipment

During the six months ended 30 June 2019, the Group incurred approximately HK$9,010,000 (six months ended 30 June 2018: HK$20,336,000) 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 30-60 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables.

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

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

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0 to 30 days	**55,421**	36,695
31 to 60 days	**6,815**	1,926
61 to 90 days	**1,906**	1,254
91 to 120 days	**-**	935
Over 120 days	**-**	1,719
	64,142	42,529

12. Trade Payables

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

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
0 to 30 days	**12,322**	12,888
31 to 60 days	**270**	31
61 to 90 days	**6**	234
91 to 120 days	**3**	1
Over 120 days	**1,269**	378
	13,870	13,532

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

13. Share Capital

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'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. Commitments

The Group had the following capital commitments at the end of the reporting period:

	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Contracted, but not provided for:		
Property, plant and equipment	**1,454**	1,464

15. Related Party Transactions

Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2019 (Unaudited) HK$'000	2018 (Unaudited) HK$'000
Short-term employee benefits	**5,946**	6,290
Post-employment benefits	**36**	36
Total compensation paid to key management personnel	**5,982**	6,326

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

16. Contingent Liabilities

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

17. 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 27 August 2019.

Other Information

Interim Dividend

The Board has resolved to declare an interim dividend of HK6 cents (six months ended 30 June 2018: HK4 cents) per ordinary share in issue in respect of the six months ended 30 June 2019.

Closure of Register of Members

The Register of Members will be closed from Wednesday, 25 September 2019 to Friday, 27 September 2019, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 24 September 2019. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Friday, 27 September 2019 on or before Monday, 14 October 2019.

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

At 30 June 2019, 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)	21,248,800	–	36,912,027	–	58,160,827	11.51
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)	1,300,000	–	–	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.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 2019, 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 2019.

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. Liu Li Yuan attended the annual general meeting of the Company held on 24 May 2019 and Mr. Lam Chi Kuen and Mr. Liang Fang 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 2019.

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

Cheng Cheung
Chairman

Hong Kong
27 August 2019