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## LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司\*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2022. The annual results have been reviewed by the audit committee of the Company.

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	3	<b>492,875</b>	513,230
Cost of sales		<u>(361,955)</u>	(359,257)
Gross profit		<b>130,920</b>	153,973
Other income and gains	3	<b>21,610</b>	18,628
Fair value gains on investment properties, net		<b>16,674</b>	32,868
Selling and distribution expenses		<b>(6,636)</b>	(6,906)
Administrative expenses		<b>(63,483)</b>	(62,425)
Other expenses		<b>(19,216)</b>	(18,134)
Finance costs	5	<u><b>(3,651)</b></u>	(2,872)
<b>PROFIT BEFORE TAX</b>	4	<b>76,218</b>	115,132
Income tax expense	6	<u><b>(27,720)</b></u>	(30,540)
<b>PROFIT FOR THE YEAR</b>		<u><b>48,498</b></u>	84,592
Attributable to:			
Owners of the parent		<b>53,494</b>	84,669
Non-controlling interests		<u><b>(4,996)</b></u>	(77)
		<u><b>48,498</b></u>	84,592
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted		<u><b>HK10.6 cents</b></u>	HK16.8 cents

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 HK\$'000	2021 HK\$'000
PROFIT FOR THE YEAR	<u>48,498</u>	84,592
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(46,325)</u>	22,054
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	<u>(46,325)</u>	22,054
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>2,173</u>	106,646
Attributable to:		
Owners of the parent	2,043	106,868
Non-controlling interests	<u>130</u>	(222)
	<u>2,173</u>	106,646

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	<i>Notes</i>	<b>2022</b> <b>HK\$'000</b>	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>945,105</b>	999,094
Investment properties		<b>1,196,473</b>	1,209,170
Properties for development		<b>207,653</b>	219,952
Prepayments, other receivables and other assets		<b>21,891</b>	23,081
		<hr/>	<hr/>
Total non-current assets		<b>2,371,122</b>	2,451,297
<b>CURRENT ASSETS</b>			
Inventories		<b>70,850</b>	69,119
Trade receivables	9	<b>37,348</b>	35,892
Prepayments, other receivables and other assets		<b>9,535</b>	28,647
Financial assets at fair value through profit or loss		<b>5,120</b>	14,477
Cash and cash equivalents		<b>444,409</b>	439,596
		<hr/>	<hr/>
Total current assets		<b>567,262</b>	587,731
<b>CURRENT LIABILITIES</b>			
Trade payables	10	<b>8,778</b>	18,461
Other payables and accruals		<b>85,386</b>	78,852
Interest-bearing bank and other borrowings		<b>67,392</b>	123,545
Tax payable		<b>28,323</b>	35,225
		<hr/>	<hr/>
Total current liabilities		<b>189,879</b>	256,083
<b>NET CURRENT ASSETS</b>			
		<b>377,383</b>	331,648
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>2,748,505</b>	2,782,945

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***31 December 2022*

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>2,748,505</b>	2,782,945
<b>NON-CURRENT LIABILITIES</b>		
Other payables	36,871	41,775
Provisions	3,205	3,262
Deferred tax liabilities	<b>198,750</b>	205,273
Total non-current liabilities	<b>238,826</b>	250,310
Net assets	<b>2,509,679</b>	2,532,635
<b>EQUITY</b>		
<b>Equity attributable to owners of the parent</b>		
Issued capital	5,026	5,026
Reserves	<b>2,526,979</b>	2,550,065
	<b>2,532,005</b>	2,555,091
Non-controlling interests	<b>(22,326)</b>	(22,456)
Total equity	<b>2,509,679</b>	2,532,635

*Notes:*

**1. BASIS OF PREPARATION**

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss, which have been measured at fair value. The financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

**1.1 Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## 1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and none of them was onerous. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:
- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

## 2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has five reportable operating segments as follows:

- the cement products segment represents the Group's manufacture and sale of cement products for use in the construction industry;
- the property investment segment represents the Group's investments in industrial, commercial and residential premises for their rental income potential and provision of property management and related services;
- the hotel operation segment represents the Group's hotel business;
- the property development segment represents the Group's development and sale of properties; and
- the corporate and others segment represents corporate income and expense items and the Group's sale of electronic products.

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

### Business segments

Year ended 31 December	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Segment revenue (note 3)</b>												
Sales to external customers	281,452	310,302	144,367	149,324	52,264	41,004	-	-	14,792	12,600	492,875	513,230
Other income and gains	715	668	503	2,740	1,000	400	7,332	2,637	48	-	9,598	6,445
	<b>282,167</b>	<b>310,970</b>	<b>144,870</b>	<b>152,064</b>	<b>53,264</b>	<b>41,404</b>	<b>7,332</b>	<b>2,637</b>	<b>14,840</b>	<b>12,600</b>	<b>502,473</b>	<b>519,675</b>
<b>Segment results</b>	<b>(22,067)</b>	<b>9,168</b>	<b>123,975</b>	<b>137,492</b>	<b>(9,012)</b>	<b>(21,173)</b>	<b>(4,575)</b>	<b>(1,312)</b>	<b>(24,115)</b>	<b>(21,226)</b>	<b>64,206</b>	<b>102,949</b>
<i>Reconciliation:</i>												
Interest income											12,012	12,183
Profit before tax											76,218	115,132
Income tax credit/(expense)	2,609	(4,355)	(30,288)	(26,171)	-	-	-	-	(41)	(14)	(27,720)	(30,540)
Profit for the year											48,498	84,592

## Geographical information

### (a) Revenue from external customers

	2022 HK\$'000	2021 HK\$'000
Vietnam	404,189	438,814
Hong Kong	74,199	60,427
Mainland China	14,487	13,989
	<u>492,875</u>	<u>513,230</u>

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

### (b) Non-current assets

	2022 HK\$'000	2021 HK\$'000
Vietnam	1,315,966	1,358,236
Hong Kong	1,034,646	1,069,890
Mainland China	20,510	23,171
	<u>2,371,122</u>	<u>2,451,297</u>

The non-current asset information above is based on the locations of the assets.

## Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year, is set out below:

	2022 HK\$'000	2021 HK\$'000
Customer A	98,488	99,734
Customer B	78,221	79,210

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



### 3. REVENUE, OTHER INCOME AND GAINS

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

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers</b>		
Sale of cement	281,452	310,302
Sale of electronic products	14,792	12,600
Rendering of property management and related services	32,055	33,045
Rendering of hotel and related services	52,264	41,004
	<u>380,563</u>	<u>396,951</u>
<b>Revenue from other sources</b>		
Gross rental income from investment property	112,312	116,279
	<u>492,875</u>	<u>513,230</u>
<b>Other income and gains</b>		
Interest income	12,012	12,183
Gain on disposal of items of property, plant and equipment, net	-	300
Government grants	1,000	400
Dividend income from financial assets at fair value through profit or loss	444	414
Rental income	7,054	2,069
Forfeiture of rental deposit	-	1,881
Others	1,100	1,381
	<u>21,610</u>	<u>18,628</u>

#### 4. PROFIT BEFORE TAX

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

	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold	294,627	292,433
Cost of services rendered	53,373	56,617
Depreciation of owned assets	64,372	67,684
Depreciation of right-of-use assets	4,024	4,062
Amortisation of properties for development	1,228	1,121
Auditor's remuneration	2,362	2,340
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	57,426	57,873
Pension scheme contributions	854	648
	<u>58,280</u>	<u>58,521</u>
Foreign exchange differences, net	5,532	534
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	13,955	10,207
Fair value loss on financial assets at fair value through profit or loss	2,229	356
Loss on disposal of investment properties	-	1,308
Impairment of trade receivables, net	690	586
Written-off of property, plant and equipment	560	-
Impairment of property, plant and equipment	-	16,732
Write-down of properties for development	10,205	-
	<u><u>10,205</u></u>	<u><u>-</u></u>

#### 5. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on bank loans	1,865	759
Interest on lease liabilities	1,786	2,113
	<u>3,651</u>	<u>2,872</u>

## 6. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

In accordance with the relevant tax rules and regulations in Vietnam, certain of the Group's subsidiaries in Vietnam enjoy income tax exemptions and reductions. At present, the income tax rates applicable to these subsidiaries are 15% and 20%.

	2022 HK\$'000	2021 HK\$'000
Current – Hong Kong		
Charge for the year	41	14
Current – Elsewhere		
Charge for the year	27,317	31,774
Underprovision in prior years	247	3,005
Deferred	115	(4,253)
Total tax charge for the year	<u>27,720</u>	<u>30,540</u>

## 7. DIVIDENDS

	2022 HK\$'000	2021 HK\$'000
Interim – HK2 cents (2021: HK3 cents) per ordinary share	10,052	15,077
Final proposed subsequent to the reporting period		
– HK2 cents (2021: HK3 cents) per ordinary share	10,052	15,077
	<u>20,104</u>	<u>30,154</u>

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 502,557,418 (2021: 502,557,418) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

## 9. TRADE RECEIVABLES

	2022 HK\$'000	2021 HK\$'000
Trade receivables	38,590	38,417
Impairment	(1,242)	(2,525)
	<u>37,348</u>	<u>35,892</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 30 to 60 days for its trade debtors. The Group seeks to maintain strict control over its outstanding receivables.

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

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

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	20,380	19,375
31 to 60 days	3,653	4,289
61 to 90 days	2,269	3,233
91 to 120 days	2,636	2,126
Over 120 days	8,410	6,869
	<u>37,348</u>	<u>35,892</u>

## 10. TRADE PAYABLES

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

	2022 HK\$'000	2021 HK\$'000
0 to 30 days	8,507	18,153
31 to 60 days	-	32
61 to 90 days	-	14
91 to 120 days	-	-
Over 120 days	271	262
	<u>8,778</u>	<u>18,461</u>

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

## **BUSINESS REVIEW AND OUTLOOK**

In 2022, affected by the pandemic and the Russia-Ukraine war, the global economy was heading to a downturn. In addition, the United States has entered into an interest rate hiking cycle, the global economic and social conditions became more unstable during the year. The prices of fuel, raw materials, transportation and food soared, seriously affecting the economic and social conditions of the people in various countries. The Group's main business is situated in Vietnam and Hong Kong. Under the unstable global and local economic environment, the Group's various businesses were inevitably affected. In particular, the Groups' cement operations in Vietnam have become more difficult in the face of shrinking demand and sharply rising coal, fuel prices and transportation costs.

In early 2022, the pandemic in Vietnam began to subside, following with its government's epidemic prevention policy shifting from "clearing the virus" to "coexisting with the virus", and from March 2022, the entry restrictions on business travellers and tourists were relaxed. Driven by the processing and manufacturing industry, Vietnam's economy gradually recovered. However, in the middle of 2022, the pace of interest rate hikes in the United States began to accelerate, and Vietnam's interest rate also rose accordingly. In addition, Vietnam's tightening of real estate credit and bond issuance caused the entire real estate and construction industries almost came to a standstill in the second half of 2022. The group's cement sales and business were thus seriously affected and resulted into a loss recorded in 2022. As for the leasing business of the Group's Saigon Trade Center in Ho Chi Minh City, due to the uncertain global and Vietnam's economic situation, investors mostly adopted a wait-and-see attitude, which led to a drop in demand for office buildings, especially in the first half of 2022, and therefore the rental income of the Group's Saigon Trade Center also resulted in a decline in 2022. As for the hotel business in Hong Kong, it performed well during the year. Both occupancy rate and hotel revenue recorded satisfactory growth compared with last year.

Looking forward to 2023, as various negative factors still exist in the first quarter, it is estimated that operation of the Group's cement plant will still be difficult. However, the market generally believes that the pace of U.S. interest rate hikes will slow down this year, and the coal price has also been dropping from its highest level in 2022. Therefore, it seems to be conducive to the recovery of the real estate market and the construction industry in the second half of 2023, which shall positively support a rebound for the Group's cement plant business. In addition, Vietnam's economic growth is at a relatively high level compared with other Asian countries, which is attractive to foreign investors, and given a more stable and clearer economic situation, the office leasing market in Ho Chi Minh City shall be benefited as a result, thereby also benefiting the Group Leasing performance of Saigon Trade Center. On the other hand, as Hong Kong has relaxed from the epidemic prevention measures and entry restrictions since the first quarter of 2023, it is believed that the Group's hotel business in Hong Kong will continue to maintain a steady pace of growth in 2023.

For the year ended 31 December 2022, the Group's turnover was HK\$492,875,000, a decrease of approximately 4.0% compared with HK\$513,230,000 recorded in the previous year. The Group's turnover is mainly derived from cement business, property investment business and hotel business. Among them, the turnover of cement business was HK\$281,452,000, a decrease of about 9.3% compared with last year; the turnover of property investment business was HK\$144,367,000, a decrease of about 3.3% compared with last year; the turnover of hotel business was HK\$52,264,000, an increase of about 27.5% compared with last year.

For the full year of 2022, the Group recorded an after-tax consolidated net profit of HK\$48,498,000, a decrease of approximately 42.7% compared with the net profit of HK\$84,592,000 recorded in last year. Whereas, the consolidated net profit attributable to owners of the parent was HK\$53,494,000, representing a decrease of approximately 36.8% compared with the net profit of HK\$84,669,000 recorded in last year. Basic earnings per share was HK10.6 cents (2021: HK16.8 cents).

## **Cement Business**

In 2022, the Group's cement plant in Vietnam faced a particularly difficult year of operation in face of a sharp increase in production costs and an oversupply in the local cement market. The profit margin of the cement plant was severely eroded, resulting in the Group's cement plant operating at a loss in 2022.

In terms of production costs, global fuel prices soared, especially the coal price which recorded an increase for more than 100% in 2022 as compared with 2021. Since coal accounts for more than 30% to 40% of total cement production costs, its impact on cement production costs is of paramount importance. In addition to the coal price hike, the quantity supply of coal in the market was also very tight. Seeing this, the Vietnamese government stipulated that coal should be used for thermal power generation in priority, resulting in an unstable supply of coal in the market and thus affecting the cement production. During the year, prices of gasoline and certain raw materials, such as gypsum, also increased by more than 50% respectively. Besides, disruptions of the supply chains and sharp increase in various freight costs also added to the burden of the cement plant's production and kept the cement production costs high during the year of 2022.

As for sales, although Vietnam's pandemic began to subside in early 2022, the economy has not yet fully recovered from its prolonged impacts. Whether it was business investments, or people's willingness to build new houses and repair houses was low, which caused to a decrease in local usage of cement products. In addition, the slowdown in the government's investment disbursements in public works also led to the shrinking of infrastructure projects, resulting in a decline in local cement demand throughout the year. On the other hand, due to the decline in demand for exporting cement and clinker to China, as well as the protectionist policies of countries such as the Philippines and Bangladesh, Vietnam's cement exports fell significantly during the year. As a result, cement producers shifted to dump in the local market at low prices, causing the oversupply of local cement market and intensifying the local market competition. As a whole, the sales of the Group's cement plant were particularly difficult in 2022, with the sales volume dropped significantly comparing with last year.

For the year ended 31 December 2022, the cement and clinker sales volume of the Group's cement plant was approximately 691,800 tons, representing a decrease of approximately 22.5% from 892,800 tons in the previous year. The Group's cement business recorded an after-tax loss of approximately HK\$19,458,000 in 2022, compared to an after-tax profit of HK\$4,813,000 in the previous year.

Looking forward to 2023, affected by the tightening of real estate credit and bonds issuance in Vietnam, the real estate market and construction industry remained sluggish in the first quarter. In addition, the central part of Vietnam kept raining continuously, and the sales of the Group's cement in the first quarter were still relatively weak. However, due to the increase in investment in infrastructure projects and industrial construction, it is estimated that the demand for cement will slowly recover starting from the second quarter. As the commercial and residential construction markets become increasingly active, the growth rate is expected to accelerate in the second half of the year. Besides, as Hue Province will become a directly managed province under the central government in 2025, it shall become a primary focus in development, as well as priority in the allocation of resources in Vietnam in coming future. The long-term business development and sales of the Group's cement plant are expected to be benefited as a result. In terms of production costs, international coal and fuel prices have dropped from high levels, which is also conducive to the lowering of the production costs of the Group's cement plant in 2023. However, the increasingly stringent requirements of the Vietnamese government over environmental protection will increase the Group's cement plant budget for environmental protection, thereby increasing operating costs. All in all, it is estimated that the operation of the Group's cement plant will still be relatively difficult in the first half of 2023, but is expected to improve in the second half of the year.

## **Property Investment Business**

In the first half of 2022, due to the prolongation of the COVID-19 pandemic for several years, the demand for office buildings in Ho Chi Minh City, Vietnam continued its declining trend from 2021. The economic downturn has caused some small and medium-sized enterprises to gradually move out from the central business district to cheaper peripheral areas, or to reduce leasing spaces in order to reduce operating costs. The uncertain economy has also made foreign enterprises more conservative and taking a wait-and-see attitude in making new investments or expanding office spaces.

Starting from March 2022, benefiting from the Vietnamese government's strategy of "co-existing with the virus" and the comprehensive opening-up policy, foreign capital began to resume investing in the Vietnamese market, driving demand for office buildings in Ho Chi Minh City to pick up in the third quarter. The growth in demand for office buildings by foreign companies mainly comes from industries such as information technology, manufacturing and financial services.

The performance of the Group's Saigon Trade Center located in the central business district of Ho Chi Minh City was generally in line with the market performance. The situation in the first half of the year was relatively poor, but in the second half of the year, especially in the third quarter, there was a steady recovery. The occupancy rate rose slightly from 73% on June 30, 2022 to 74% on December 31, 2022. The annual income recorded a decrease of about 6.5%.

Looking forward to 2023, Vietnam is one of the fastest growing countries, as well as one of the most favoured countries of investments in Asia as regarded by foreign capital and multinational companies. It is estimated that Vietnam's economy will continue its growth momentum in 2023. It is also expected that foreign companies' demand for office buildings in Ho Chi Minh City will continue to increase, which will not only benefitting the entire office market in Ho Chi Minh City, but also the Group's Saigon Trade Center situated in the prime CBD of Ho Chi Minh City. In particular, high-quality office buildings in the CBD of Ho Chi Minh City is still in short supply. Given that the market demand is expected to accelerate, the performance of the Group's Saigon Trade Center shall be expected to improve in 2023.

Besides, the Group's overall rental income from leasing properties in Hong and Mainland China remained generally stable in 2022.

In 2022, the Group recorded an increase in the fair value gains on investment properties of approximately HK\$16,674,000, a decline of approximately HK\$16,194,000 from that of HK\$32,868,000 recorded in 2021.

### **Hotel Business**

In 2022, the Group's hotel business performed well. A new round of the epidemic broke out in Hong Kong in early 2022, which brought a short-term impact on the "Pentahotel Hong Kong, Tuen Mun", the hotel owned by the Group. The occupancy rate and average room rent of the hotel both fell. However, due to the conversion of some local hotels into quarantine hotels for returning tourists, the supply of hotel rooms in the region decreased, and also driven by the growth of long-term stays by business travellers and local residents, the hotel occupancy rate gradually rebounded. In the second quarter of 2022, an average occupancy rate of over 80% was recorded. Starting from July 2022, the Hong Kong government gradually lifted the restrictions on flight arrivals and relaxed the quarantine policy for inbound tourists. The number of tourists traveling to the mainland via Hong Kong has increased as a result, and the Group's hotel benefited from this, with the occupancy rate in the fourth quarter further increased to more than 90%.

The average occupancy rate of the Group's hotel in 2022 was 84.3%, compared with 74.7% in the same period last year. Compared with the same period last year, the average room rate also increased by more than 20%.

As of December 31, 2022, the hotel business contributed an operating income of HK\$52,264,000 to the Group, an increase of 27.5% compared with the previous year. Profit before depreciation was HK\$13,808,000, an approximately three-folded increase as compared with HK\$3,604,000 recorded in the previous year. After deducting depreciation, the hotel business recorded a loss of HK\$9,012,000, a decrease of 57.4% compared with the loss of HK\$21,173,000 recorded in the same period last year.

Looking forward to 2023, as the Hong Kong Special Administrative Region Government has relaxed the epidemic prevention control, and both China and Hong Kong have cancelled the entry and exit restrictions for tourists, it is estimated that the number of tourists arriving in Hong Kong will continue to rise, which will benefit the operation of the Group's hotel. The Group's hotel is situated at a strategic location between the Hong Kong International Airport and the Shenzhen Bay border, and will also benefit from the increase in the number of overseas and Chinese tourists returning to the Mainland via Hong Kong. It is expected that in 2023, the hotel business of the Group will continue to achieve a steady growth pace.

## **Property Development Business**

In 2022, the construction of the Group's "Hue Plaza" project located in Hue Province, Vietnam was generally progressing smoothly, although the project was postponed for more than half a year due to the outbreak of the pandemic in Vietnam in 2021. The building structure was completed in the first half of 2022, and the electromechanical construction and elevator installation were also completed in the third quarter of 2022. The project is currently undergoing internal furnishing. "Hue Plaza" comprises a business hotel of about 50 rooms and retail areas. Due to the disruption of supply chains of some construction materials and the shortage of construction workers after the pandemic, the schedule of the project has been slightly delayed, with its completion expected to be on the end of this year.

As Vietnam's economy enters the post-epidemic recovery phase, the tourism industry is gradually recovering. In addition, the construction of the international airport in Hue Province will be completed and put into operation within 2023, and the opening of a large AEON shopping mall in the province is expected to drive the development and tourism of Hue Province. The time when "Hue Plaza" comes into operation shall fit into the right timing to capture the strong growth of rebound after the pandemic. It is estimated that it will bring in additional cash flow and income to the Group next year.

In addition, the Group purchased a commercial and residential property located in Shanghai Street, Yau Ma Tei, Kowloon, Hong Kong in June 2021 and planned to redevelop the property into a brand new commercial and residential property. The URA under the Hong Kong Special Administrative Region Government announced the "Research Report on Yau Mong Redevelopment Planning" at the end of 2021, proposing the latest blueprint for the development of the area and a number of new proposals including "transferring plot ratio". However, due to the fact that the relevant details have not yet been affirmed, and as the real estate market has declined, the Group will keep monitoring the real estate market and look for a suitable timing to redevelop the property upon announcement of relevant policy details.

Besides, the Group holds a piece of land in Binh Thanh District, Ho Chi Minh City, Vietnam, which will still be regarded as a land reserve for the time being, and will wait for the right timing for development in future.

## **Dividend**

The board of directors proposes to distribute a final dividend of HK\$2 cents per share to shareholders. Together with the interim dividend of HK\$2 cents per share for this year, the total dividend for this year will be HK\$4 cents per share.



## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

The Group's cash, bank balances and time deposits as at 31 December 2022 amounted to HK\$444,409,000 (31 December 2021: HK\$439,596,000). The Group's total bank and other borrowings amounted to HK\$67,392,000 (31 December 2021: HK\$123,545,000), of which HK\$67,392,000 (31 December 2021: HK\$123,545,000) was repayable within 1 year/on demand clause and none of them (31 December 2021: none) was repayable from 2 to 5 years.

All of the Group's borrowings were denominated in HK dollars. Of the total borrowings, none of them was at fixed interest rate.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was not applicable as at 31 December 2022 (31 December 2021: not applicable).

### **Significant investments held**

As at 31 December 2022, the Group has an unlisted investments of HK\$5,064,000 in Hong Kong.

### **Details of charges**

As at 31 December 2022, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK\$482,110,000, certain investment properties with a fair value of HK\$146,000,000 and certain rental income generated therefrom were pledged to secure the above bank loans and general banking facilities granted to the Group.

As at 31 December 2022, a property situated in Shanghai Street with carrying amount of HK\$183,000,000 was pledged to bank for mortgage loan.

### **Exposure to fluctuations in exchange rates and related hedges**

The Group is exposed to the risk of exchange rate fluctuations in Vietnamese Dong ("VND") for its investments in Vietnam, especially the income and foreign currency loans of the cement plant, as well as the income of Saigon Trade Center. The exchange rate of VND to HKD recorded a depreciation of 3.11% as at 31 December 2022 when compared to the rate as at 31 December 2021. The Group recorded an exchange loss of HK\$5,532,000 during the year. Since VND is not a freely convertible currency, hedging instruments in the market are very limited and is not cost efficient to do so. The interest deviation between VND and HKD is also a barrier for setting up an effective hedge for the VND devaluation. As such, the Group has not employed any currency hedging instrument during the financial year.

### **Details of capital commitments**

As at 31 December 2022, the Group's capital commitments amounted to HK\$41,796,000 (31 December 2021: HK\$38,784,000).

### **Details of contingent liability**

As at 31 December 2022, the Group has no significant contingent liability (31 December 2021: Nil).

### **Employees and Remuneration Policy**

As at 31 December 2022, the Group had approximately 990 employees, of which about 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK\$58,280,000 for the year ended 31 December 2022 (31 December 2021: HK\$58,521,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

## **Environmental, Social and Corporate Responsibility**

As a responsible organization, the Group is committed to maintain high environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including employment, workplace conditions, health and safety and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationship with its employees, enhances cooperation with its vendors and provides high quality products and services to its customers and dealers so as to ensure sustainable development.

## **PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS**

The Directors recommended a final dividend of HK2 cents (2021: HK3 cents) per share and the Register of Members of the Company will be closed for the following periods:

- (a) To ascertain shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday, 19 May 2023 to Wednesday 24 May 2023, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Thursday, 18 May 2023.
- (b) To ascertain shareholder's entitlement to the proposed final dividend upon the passing of the resolution no. 2 set out in the notice of the Annual General Meeting, the register of members of the Company will be closed from Wednesday, 31 May 2023 to Thursday 1 June 2023, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Tuesday, 30 May 2023.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Thursday 1 June 2023 and the payment date of the dividend is expected to be Wednesday 14 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## **CORPORATE GOVERNANCE PRACTICES**

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system. The Company adopted the Code on Corporate Governance as stated in Appendix 14 of the Listing Rules.

Throughout the financial year ended 31 December 2022, the Company has complied with the code provisions set out in the Code except for code provisions of A.4.1, A.4.2 and A.6.7.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung ("Mdm. CHENG") throughout the financial year ended 31 December 2022.

According to the Company's Bye-laws, the Chairman of the Board and/or the Managing Director of the Company were not subject to retirement by rotation, which thus constitutes a deviation from the code provision A.4.2.

Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that deviations from the code provision A.4.1 and A.4.2 are acceptable.

On 17 January 2023, Mdm. CHENG resigned from the role of Chief Executive Officer and Mr. LUK Yan, Mr. LUK Fung and Ms. LUK Sze Wan, Monsie were jointly appointed as the Co-Chief Executive Officer of the Company. Thus, the Company has complied with the code provision A.4.1 since 17 January 2023.

In respect of code provision A.6.7, all Non-executive Directors attend the annual general meeting of the Company held on 1 June 2022 in person or by electronic means.

Further information of the Company's corporate governance practices is set out in the corporate governance report in the 2022 Annual Report to be despatched to the shareholders in late-April 2023.

## **AUDIT COMMITTEE**

The Group's audit committee ("Audit Committee") has reviewed with the accounting principles and practices adopted by the Group, and discussed with the management for the internal control and financial reporting matters. The Audit Committee also reviewed the consolidated financial statements of the Group for the year ended 31 December 2022.

## **SCOPE OF WORK OF ERNST & YOUNG**

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing*, *Hong Kong Standards on Review Engagements* or *Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2022 and 31 December 2022.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting of the Company will be held at 1/F, Pentalounge, Pentahotel Hong Kong, Tuen Mun, 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong at 3:00 pm on Wednesday 24 May 2023.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

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

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

Hong Kong, 22 March 2023

*As at the date of this announcement, the Board of Directors comprises Mdm. Cheng Cheung, Mr. Luk Yan, Mr. Fan Chiu Tat, Martin, Mr. Luk Fung, and Ms. Luk Sze Wan, Monsie (who are executive directors), and Mr. Liu Li Yuan, Mr. Liang Fang and Mr. Lam Chi Kuen (who are independent non-executive directors).*

\* For identification purpose only