



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

Stock Code : 0366

# 陸氏

Annual Report  
2022

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# Corporate Information

## Executive Directors

Cheng Cheung (*Chairman*)

Luk Yan

(*Co-Chief Executive Officer*)

Fan Chiu Tat, Martin

Luk Fung

(*Co-Chief Executive Officer*)

Luk Sze Wan, Monsie

(*Co-Chief Executive Officer*)

## Independent Non-Executive Directors

Liu Li Yuan

Liang Fang

Lam Chi Kuen

## Company Secretary

Fan Chiu Tat, Martin, B.Soc.Sc., FCCA, HKICPA

## Principal Bankers

The Hongkong and Shanghai Banking

Corporation Limited

Bank of China (Hong Kong) Limited

## Auditors

Ernst & Young

Certified Public Accountants

Registered Public Interest Entity Auditor

## Principal Share Registrar

Condan Services Limited

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

## Hong Kong Branch Share Registrar

Tricor Tengis Limited

17/F, Far East Finance Centre,

16 Harcourt Road

Hong Kong

## Registered Office

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

## Principal Place of Business

5th Floor, Cheong Wah Factory Building

39-41 Sheung Heung Road

Tokwawan, Kowloon

Hong Kong

## Corporate Website

[www.luks.com.hk](http://www.luks.com.hk)

## 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. The Group's cement operation in Vietnam was particularly 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 leasing performance of the Group's 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).

# Chairman's Statement

## 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 of the Saigon Trade Center recorded a decrease of about 6.5% comparing to 2021.

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 Kong 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%.

# Chairman's Statement

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.

## Appreciation

I would like to take this opportunity to extend my gratitude to my fellow directors, management and staff members for their contributions to the Group and to our shareholders for their support, confidence and recognition to the Group strategies and direction.

### Cheng Cheung

*Chairman*

March 22, 2023

# Management Discussion and Analysis

## 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).

## **Financial Review** (continued)

### **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.

# Environmental Social and Governance Report

This is the Environmental, Social and Governance (“ESG”) Report prepared by the Group pursuant to the Environmental, Social and Governance Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange (“the Guide”). This report covers our operations in Hong Kong, Vietnam and China for the financial year ended 31 December 2022. As the Group’s cement plant employed approximately 85% of the Group’s total employees and its operation has the most impact on environment, emphasize has been put on the Group’s cement plant in Vietnam based on the materiality principle, while hotel operation and property investment operation have been covered in brief for the relevant aspects involved. The Board has reviewed and approved this ESG Report. This ESG Report addresses all the General Disclosures under each Aspect of the Guide.

## Environment

The Group recognizes the importance of adhering to environmental laws and regulations and adopting of proper environmental policies are essential to the sustainability of the corporate growth. The Group’s operations have been strictly following the environmental laws and regulations in their respective countries. The Group’s cement plant in Hue, Vietnam has specifically set up an ISO department, with purposes of formulating the Group’s environmental policies and ensuring the cement operation is in all time complying with the policies. The ISO department also keeps an eye on the latest development of the environmental laws and regulations in Vietnam and to make sure the cement plant is in compliance with the relevant laws and regulations from time to time.

### 1. Emission

The main environmental issues associated with cement production are the consumption of raw materials and energy, as well as emissions to air. The key polluting substances emitted to air are dust, carbon dioxide (CO<sub>2</sub>), nitrogen oxide (NO<sub>x</sub>) and sulphur dioxide (SO<sub>2</sub>). Other less polluting substances include carbon oxides, polychlorinated dibenzo-p-dioxins and dibenzofurans, total organic carbon, metals, hydrogen chloride and hydrogen fluoride.

Coal consumption is the main source of gas emission in the cement production process. On average, it requires 0.158 ton of coal to produce one ton of clinker. In 2022, the Group’s cement operation consumed 80,876 tons of coal

#### 1.1 Carbon dioxide (CO<sub>2</sub>)

CO<sub>2</sub> is released as a by-product during calcination, which occurs in the upper and cooler end of the kiln, or a precalciner, at temperatures of 600-900°C, and results in the conversion of carbonates to oxides. At higher temperatures in the lower end of the kiln, the lime (CaO) reacts with silica, aluminum and iron containing materials to produce minerals in the clinker, an intermediate product of cement manufacture. The clinker is then removed from the kiln for cooling, grinding to fine powder, and mixing with a small fraction (about five percent) of gypsum to create the most common form of cement known as Portland cement.

Year 2022, the Group’s cement plant was operating on one production line, namely D production line. CO<sub>2</sub> emission measurements for the D production line were 143 mg/Nm<sup>3</sup>.

# Environmental Social and Governance Report

## Environment (continued)

### 1. Emission (continued)

#### 1.2 Nitrogen oxide (NO<sub>x</sub>)

Nitrogen Oxide (NO<sub>x</sub>) is a family of poisonous, highly reactive gases. NO<sub>x</sub> is a by-product produced by the clinker burning process under exceptional high temperature. Efficient technical measures are required to reduce its emission in the process. NO<sub>x</sub> often appears as a brownish gas and it is a strong oxidizing agent, playing a major role in the atmospheric reaction with volatile organic compounds (VOC) that produces smog on hot summer days

In 2022, NO<sub>x</sub> emission measurements for the D production line were 534 mg/Nm<sup>3</sup>.

#### 1.3 Sulphur dioxide (SO<sub>2</sub>)

Sulfur dioxide is an invisible gas with nasty and sharp smell. It reacts easily with other substances to form harmful compounds, such as sulfuric acid, sulfurous acid and sulfate particles. The main source of sulfur dioxide in the air is industrial activity that processes materials containing sulfur such as the electricity generation from coal, oil or gas. Sulfur oxides, mainly SO<sub>2</sub>, are generated both from the sulfur compounds in the raw materials and from sulfur in fuels used to fire a preheater.

In 2022, SO<sub>2</sub> emission measurements for the D production line were 78 mg/Nm<sup>3</sup>.

#### 1.4 Dust

Dust emissions originate mainly from the raw mills, the kiln system, the clinker cooler, and the cement mills. A general feature of these process steps is that hot exhaust gas or exhaust air is passing through pulverized material resulting in an intimately dispersed mixture of gas and particulates.

In 2022, dust emission measurements for the D production line were 41 mg/Nm<sup>3</sup> respectively.

#### 1.5 Water

Waste water discharge is usually limited to surface run off and cooling water only and causes no substantial contribution to water pollution. The storage and handling of fuels is a potential source of contamination of soil and groundwater. Apart from that, the environment can be affected by noise and odors.

# Environmental Social and Governance Report

## Environment (continued)

### 1. Emission (continued)

#### 1.6 Environmental issues control and future plan

Regarding environmental issues such as emission, dust, noise, water, the Group appoints environmental monitor company every year in performing related measurements on quarterly basis in accordance with respective Vietnam environmental legislation, measurement and analysis as follows:-

*Vietnam environmental measurement standards*

*Appendix 1*

No.	Item	Measurement and Analysis Method
1	Air Quality	
1.1	Air Quality (Dust Content)	TCVN 5067:1995
1.2	Amount of Dust	TCVN 5704:1993
1.3	NO <sub>2</sub>	TCVN 6137:2009
1.4	SO <sub>2</sub>	TCVN 5971:1995
1.5	CO	ASTM D1945
1.6	H <sub>2</sub> S	MASA Method 701
2	Noise, Vibration, Meteorological Observation	
2.1	Noise	TCVN 7878:-2:2010
2.2	Vibration	TCVN 6963: 2001
2.3	Meteorological Observation (Temperature, Humidity, Wind speed and pressure)	QCVN46:2012/BTNMT
3	Exhaust Gas	
3.1	Amount of Dust and Content (CO, NO <sub>x</sub> , SO <sub>2</sub> )	TCVN 5977:2009
4	Waste Water	
4.1	pH	TCVN 6492:2011
4.2	DO (Dissolved Oxygen)	TCVN 7325:2004
4.3	Color	TCVN 6185:2008
4.4	Hardness (CaCO <sub>3</sub> )	SMEWW 2340C:2012
4.5	TSS (Suspended Solids)	TCVN 6625:2000
4.6	COD (Chemical Oxygen Demand)	SMEWW 5220-C:2012
4.7	BOD <sub>5</sub> (Biochemical Oxygen Demand)	TCVN 6001:2008
4.8	Fe (Iron)	TCVN 6177:1996
4.9	Zn (Zinc)	TCVN 6193:1996
4.10	Pb (Lead)	SMEWW 3113B:2012

# Environmental Social and Governance Report

## Environment (continued)

### 1. Emission (continued)

#### 1.6 Environmental issues control and future plan (continued)

Vietnam environmental measurement standards

Appendix 1

No.	Item	Measurement and Analysis Method
4.11	Cd (Cadmium)	SMEWW 3113B:2012
4.12	Mn (Manganese)	SMEWW 3113B:2012
4.13	Hg (Mercury)	TCVN 7877:2008
4.14	As (Arsenic)	TCVN 6626:2000
4.15	Oil, Grease	TCVN 5070:1995
4.16	Coliform	TCVN 6187-2: 2009
4.17	E. Coli	TCVN 6187-2: 2009
5	Surface Water	
5.1	pH	TCVN 6492:2011
5.2	DO (Dissolved Oxygen)	TCVN 7325:2004
5.3	Color	TCVN 6185:2008
5.4	Hardness (CaCO <sub>3</sub> )	SMEWW 2340C:2012
5.5	TSS (Suspended Solids)	TCVN 6625:2000
5.6	BOD <sub>5</sub> (Biochemical Oxygen Demand)	TCVN 6001:2008
5.7	Fe (Iron)	TCVN 6177:1996
5.8	Zn (Zinc)	TCVN 6193:1996
5.9	Pb (Lead)	SMEWW 3113B:2012
5.10	Mn (Manganese)	SMEWW 3113B:2012
5.11	Oil, Grease	TCVN 5070:1995
5.12	Coliform	TCVN 6187-2: 2009
5.13	E. Coli	TCVN 6187-2: 2009

All the measurement results are required to compare with respective Vietnam National Standards such as:

1. QCVN 05:2013/BTNMT (National technical regulations on Surrounding Air Quality)
2. QCVN 06:2009/BTNMT (National technical regulations on hazardous substances in ambient air)
3. QCVN 40:2011/BTNMT (National technical regulations on Industrial Wastewater)
4. QCVN 23:2009/BTNMT (National technical regulations on Emissions of Cement Production)
5. QCVN 24:2017/BYT (National technical regulations on permissible levels of noise at workplace)
6. QCVN 26:2017/BYT (National technical regulations on permissible value of microclimate in the workplace)
7. QCVN 27:2017/BYT (National technical regulations on permissible levels of vibration in the workplace)
8. Decision No. 3733/2002/QĐ-BYT (Decision about Workplace environment: 21 occupational health standards, 5 basic principle and 7 Working hygiene parameters)

# Environmental Social and Governance Report

## Environment (continued)

### 1. Emission (continued)

#### 1.6 Environmental issues control and future plan (continued)

According to all environmental measurement quarterly report in 2022, the Group's cement plant has complied with all the above-said Vietnam Nation standards and requirements.

In October 2017, the Group's cement plant commissioned an external contractor to install a Continuous Emission Monitoring System ("CEMS") at the plant's production facilities to comply with the environmental laws in Vietnam. The CEMS measures gas flow, dust emission at the plant's grinder and clinker cooling units. Other gas emissions including carbon monoxide, sulphur dioxide, nitrogen oxide, oxygen, and temperature at the plant's kiln units are also monitored by the CEMS. Gas emission information in real-time of 5-minute intervals can be transmitted to the plant's ISO department, the plant's control rooms, and the monitoring centre at the Department of Natural Resources and Environment of Thua Thien Hue Province. The installation was completed in May 2018. Based on the requirements of connection data regulation, the installation is required to be verified by a third party and accordingly and at Letter 1763/STNMT-MT dated 12/08/2020, the Company's Continuous Emission Monitoring System has been approved for use. Annually, according to current regulations. The company must hire a third party to verify the equipment.

#### 1.7 Physical Wastes

Apart from the above emission issues, there are some physical wastes arising from daily operations. These physical wastes can be classified as hazardous and non-hazardous nature.

For hazardous waste such as electronic items, used oil and used filter bags, the cement plant has appointed a government approved agent to dispose those hazardous waste. In 2022, the total volume of physical hazardous wastes was 15,840 kg.

For non-hazardous waste, the cement plant classifies the wastes systematically and arranges the wastes in kinds. A service provider has been appointed to collect the wastes. In 2022, the total volume of physical non-hazardous wastes was 75,600 kg.

**In regards to the hotel operation:-** the hotel does not generate hazardous waste during its business operation and has operated in an environmentally responsible manner in line with the applicable environment protection laws and regulations whenever practicable.

During the reporting year, the hotel was not charged any penalty by EPD.

# Environmental Social and Governance Report

## Environment (continued)

### 2. Use of Resources

#### 2.1 Coal and Electricity

For the Group's cement plant, the cement production process consumes huge amount of energy. The energy consumptions are mainly coal and electricity. In 2022, the consumption of coal and electricity were 80,876 tons and 61,894,648 kwh respectively.

To reduce electricity consumption, the cement plant has conducted research on the "Waste Heat Recovery ("WHR") Power Systems". The cement plant appointed a Chinese consultancy company to perform a feasibility study on the WHR boiler steam turbine generator system target to be installed in the plant's existing cement production lines. The WHR system utilizes wasted heat currently emitted from the cement production lines. The WHR boilers will generate steam using the wasted heat exhausted from the cement plant, and the steam will be fed into the steam turbine generator to generate electricity. It can reduce power consumption from the national electricity grid which will lead to the reduction of fossil fuel combustion at the national electricity grid's connected power plants.

In 2018, the Group's cement plant has consulted with external contractors to explore the feasibility of incorporating a WHR system to our existing plant, although no formal contract has been entered into. Nevertheless, it has been concluded that for the WHR system to be operated effectively, the operating capacity of certain equipment at the production line D needs to be upgraded. The Group's cement plant then commissioned an external contractor to re-design the preheater and precalciner of workshop D, and to improve the automated process controls. The specifications of the newly-designed equipment were finalized by the plant's engineers and the contractor in 2019. In September 2019, the cement plant signed a contract of installation and modification for D production line with MIS Industrial Services Joint Stock Company at Vietnam. As Chinese experts were not able to return to Vietnam during pandemic-period, so the upgrading has been done by Vietnamese workers since November 2020 and mostly been completed and put into trials running since the end of 2020.

In April 2021. The company completed the installation of the intelligent system and currently under testing and tuning.

**In regards to the investment property operation:-** the Group aims to improve efficiency in the consumption of electricity for its Saigon Trade Center and other leasing properties in Vietnam, Hong Kong and China. The lightings in all public areas have gradually been replaced by energy efficient alternatives with longer life spans, such as LED light bulbs. Energy-saving protocols have also been implemented, such as the timely switch-off of air-conditioning system of the premises.

#### 2.2 Water

Water is mainly for machine cooling purpose for the cement plant. In 2022, the cement plant consumed a total a volume of around 106,755 m<sup>3</sup> water. Underground water and raining water are the main water source of the cement plant. There was no difficulty in sourcing water during 2022.

# Environmental Social and Governance Report

## Environment (continued)

### 2. Use of Resources (continued)

#### 2.3 Packing Material

Cement bag is the major packing material in our cement plant. One cement bag contains 50kg of cement. In 2022, the cement plant consumed 7,749,211 pieces of cement bag.

### 3. The Environment and Natural Resources

The procurement of local raw materials forms the basis of the manufacture of cement. The raw materials needed to produce cement (calcium carbonate, silica, alumina and iron ore) are generally extracted from limestone rock, chalk, clayey schist or clay.

The Vietnam Government imposes fees and charges for the use of raw materials. During 2022, the cement plant paid timely on all charges and fees in accordance with respective decisions issued by Vietnam Government such as mine restoration fund (2463/QD-BTNMT; dated 23/12/2010), mining right charge (3027/QD-BTNMT; dated 25/12/2014), environmental and natural resources tax (44/2017/TT-BTC dated: 12/05/2017)

Regarding the limestone mine exploitation, the respective Government department assists and instructs the cement plant on how to minimize implications from the mine exploitation. At the end of each year, the cement plant is obliged to provide the mine's geographic map to the local Environment department office for record and review. During the year, the cement plant rented certain land from the local Government for the planting of trees and vegetation as one of the company's policies to improve the environment.

**In regards to the hotel operation:-** the hotel aims at rationalizing the use of water, electricity, gas, glass bottle, plastic bottle and paper, reducing the volume of wastes and improving waste management. The consumption of energy and resources of the hotel in 2022 were as follows:

**Town gas:** A total of 3,312,224 MJ of Town gas was used. The hotel is trying the best effort on gas saving by adjusting temperature of the boiler under the weather reporting.

**Electricity:** A total of 3,734,001 kWh of electricity was used. 99% of bulbs in hotel are being used by LED light. Refer to the Air-conditioner; the hotel is using water cool chiller system in which is environmentally friendly and has greater energy efficiency, better controllability, and longer life. The office equipment (computer and copier) and the light in hotel back office will be turned off after office hour. On the other hand, the electricity in the guest rooms will be turned off if there are no in-house guests. According to the above energy saving procedure, hotel management keep thinking more energy saving procedure in coming year.

**Water:** the hotel consumed in total of 36,177 cu.m. in 2022. The management is considering to introduce a measure for the guests to change linen and towel by request if guests stay more than one night.

# Environmental Social and Governance Report

## Environment (continued)

### 3. The Environment and Natural Resources (continued)

Paper: to reduce paper consumption, the hotel encourages the employee to use recycled paper for printing and copying, double-sided printing and copying.

Glass and Plastic Bottles: The hotel made the best effort to minimizing the impact on the environment by arranging recycling company to collect glass and plastic bottles for recycle. According to the hotel's records, 258kg of glasses and 37kg of plastic were collected by recycling company in 2022.

Solar Panel: total of 20,168 kWh of electricity was converted from the Sun energy and HK\$100,839 was rebated from CLP Hong Kong Ltd at the end of 31 December 2022.

## Social

### 1. Employment

As at 31 December 2022, the Group's cement plant had about 835 employees. The basic salary levels for all employees of the cement plant are above the minimum salary requirement in respective areas. All employees in Vietnam have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws.

According to the Vietnam labour law (10/2012/QH13), trade unions have been established in the Group's cement plant in Hue and each of its subsidiaries. The management supports and works closely with the trade unions to exchange and manage labour issues of the local employees.

Besides, the cement plant has signed a collective labour agreement with each trade union in accordance with the Vietnam labour law (10/2012/QH13). The collective labour agreement is a written agreement between a labour collective and the employer in respect of working conditions that both parties have agreed upon through collective negotiation. The signed collective labor agreement has been registered with the provincial state management agency on labour and the Ministry of Labour, War Invalids and Social Affairs office in Hue and Ninh Thuan.

**In regards to the investment property operation:-** As at 31 December 2022, Saigon Trade Centre had about 26 employees. The base salary level for all employees is above the minimum salary requirement in respective areas. All employees have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws. Saigon Trade Center will arrange medical check-up for all employees once per annum.

**In regards to the hotel operation:-** recognizing the importance of human capital in supporting our operations, the hotel has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to achieve the hotel's success. Various communication channels are also in place for the hotel and our colleagues to discuss, respond to and resolve issues of concern. In fact, the hotel firmly commits to gender equality and therefore particularly encourages female participation at managerial and operation levels.

# Environmental Social and Governance Report

## Social (continued)

### 1. Employment (continued)

The management believes that employees are important assets for the hotel and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. Staff turnover rate among managerial level was 13.8% and among supervisor and lower level staff was 20.6% till 31st December 2022, mainly was on operation level.

The hotel had 75 full-time employees as at 31st December 2022, comprising of 28 males and 47 females. For the office staff, the working hour is from 9 am to 6 pm for a five-day week from Monday to Friday. For the operation staff, their working hours are on shift basis, to be arranged by their respective department head. The staff benefits include meal, medical, annual leave and other competitive fringe benefits.

### 2. Health and Safety

The Group has complied with the Vietnam labour law and collective labour agreement on labour safety and hygiene. The Group's cement plant and Saigon Trade Center provides personal protective equipment (such as safety helmets, gloves, ear plugs, eye protection, high-visibility clothing) to the employees where working environment required.

Besides, the cement plant has its own safety team to monitor workplace safety, provide safety training and handle occupational accident. Also, the cement plant has set up cleaning team in each company to maintain the workplace hygiene and cleaning. For labour health, the cement plant arranges medical check-up for all employees twice per annum. There is a regular medical examination every year.

**In regards to the hotel operation:-** maintaining a safe, healthy and hygienic environment across the operation is the fundamental principle of the hotel, with its obligation extending not only to own employees but also to customers and anyone who legitimately enters our facilities. Adequate arrangements, training courses and guidelines are implemented for promoting occupational health and safety. An office memo on occupational health and safety is issued to each employee as they commence employment.

The hotel proactively identifies potential occupational hazards to reduce staff exposure to accidents. For instance, the restaurant's staff is required to wear anti-skid shoes and anti-cutting gloves to prevent injuries. According to the hotel's records, there was not any work-related fatality but 4 injury cases about sprain and finger cutting were reported, with 11 days sick leave in the financial year ended 31st December 2022.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment & protecting employee from occupational hazards during the reporting period.

# Environmental Social and Governance Report

## Social (continued)

### 3. Development and Training

The Group recognizes the importance of having a skilled workforce to achieve strategic and operational plans and is committed to providing an environment that is conducive to effective performance and promotes training and development opportunities for all staff. The Group's cement plant provides equal opportunity for all staff to develop their knowledge, skills and abilities through a blend of learning methods including mentoring, coaching, on the job learning, courses, conferences and seminars. The training needs of staff will be identified by individual departments and be approved by the General Manager in line with best practice and legislative guidelines.

During the year, 835 employees in 17 functional teams have attended training sessions provided by the Group's cement plant. The trainings mainly cover the topics such as updated industrial safety practices and technical knowledge of the respective departments of the staff.

**In regards to the hotel operation:-** the hotel also recognized the importance of skilled and professional training to hotel's business growth and future success, as well as the learning and self-enrichment are the principal methods to equip employees with sustainable values. The hotel is responsible for providing opportunities for its employees for continuous improvement. Various training courses for different level and position of employees are regularly conducted and list below:

For instance, the training courses will be provided to the following employees:

- Managerial level: Cyber Security & Technology Crime Webinar
- F&B staff: Electric Boiler Safety
- Security staff: Safe Community Seminar & Tuen Mun Hotel's Crime Briefing
- Administration staff: Cyber Security & Technology Crime Webinar
- Housekeeping staff: Handling of the check-out guest with the confirmed covid-19 cases, Safe Community Seminar & Tuen Mun Hotel's Crime Briefing
- Front Office staff: Safe Community Seminar & Tuen Mun Hotel's Crime Briefing
- Compulsory training for all associates: Global Ethics – Code of Conduct Training 2022, Fire & Safety Training, and ICAC

The average training hours of for each employee were about 13 -15 hours during the reporting year.

# Environmental Social and Governance Report

## Social (continued)

### 4. Labour Standards

For the cement operation, all employees of the Group are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions. The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the employment laws and other regulations related to, among other things, prevention of child labour and forced labour. According to the Vietnamese law, the employment of children under the age of 15 is prohibited. In 2022, the youngest employee working in the cement plant was aged 23.

According to the cement plant's human resources record, more than 90% of total employees have Year 9 or higher education background, while 50% of total employees have Year 12 or higher education background in Vietnam. The cement plant provides the ISO and work safety training to all staff after joining the company and also encourages each department to organize appropriate work-skill development training.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to prevention of child and forced labour.

### 5. Supply Chain Management

For the cement operation, according to the Group's purchasing policy and procedure, prior to the purchase of goods and services, sufficient justification must be presented to demonstrate the need for the goods and services to be procured. The approval from General Manager is required for any acquisition of goods and services.

Based on purchase requisition request(s) provided by user department, the purchasing department will seek for appropriate suppliers and perform quality and price comparison for the General Manager to review and approve. All goods received are required to be inspected by user department.

For production materials procurement, in general there are 2 to 3 qualified suppliers for supplying each type of production material. It can avoid the issue of excessive concentration on single supplier for production material supply. The Group's Quality Assurance Department is required to inspect the quality of each log of production material being received. For supplier selection, purchasing department will make recommendation to the General Manager and the consideration shall be based on pricing, good and service quality, reliability and market goodwill.

**In regards to the hotel operation:-** the hotel works closely with a number of suppliers in providing a range of hospitality goods, including guestroom consumables, tableware, furniture, and foods and beverages. Most of the hotel's procurements will undergo tender processes. The hotel implements a fair tender process to ensure adequate competition and adopts a series of assessment methods in relation to supplier management to ensure the quality of its supplied products and services. To enhance the hotel's procurement of environmentally responsible items, the management will keep reviewing alternative options to purchase products from organic and/or sustainably managed sources, environmentally superior products, as well as purchase from local or regional companies so as to reduce the environmental impact during the process of manufacturing and transportation.

# Environmental Social and Governance Report

## Social (continued)

### 6. Product Responsibility

The brand name of the Group's cement products, namely "KIM DINH" has been widely recognized in the local market, especially around the regions of the central Vietnam.

All our clinker and cement products have been awarded by QUACERT and QUATEST2 with the respective Vietnam product standard certificates.

Product	Product Standard	Original Certificate	Renewed until
Clinker	TCVN7024:2013	29th Oct 2021	28th Oct 2024
Portland Cement PCB30 and PCB40	TCVN6260:2020	29th Oct 2021	28th Oct 2024
Portland Cement PC40	TCVN2682:2020	29th Oct 2021	28th Oct 2024
Portland Cement Type I, II & V	ASTM C150/C150M-20	29th Oct 2021	28th Oct 2024
Portland Cement PCHSR40	TCVN6067:2018	29th Oct 2021	28th Oct 2024
Portland Cement PCMSR50	TCVN6067:2018	29th Oct 2021	28th Oct 2024

Also, all our cement products are complied with Vietnam National standards on products, goods and construction materials (QCVN16:2017/BXD)

Furthermore, the Company has been awarded by QUACERT with the certificates of ISO 9001:2015, ISO 14001:2015 and OHSAS 45001:2018, demonstrating that our cement plant has already established a well-recognized management system.

Vietnam Certification Centre (QUACERT) is the National Certification Body of Vietnam established by the Ministry of Science and Technology as a subsidiary of the Directorate of Standards, Metrology and Quality (STAMEQ), to support the state management over standardization. QUACERT performs respective product review every 9 months. All product certificates are required to renew every 3 years.

**In regards to the hotel operation:**– the F&B Department adheres to all relevant legislations, including but not limited to nutritional and food allergy labelling. The quality and hygiene of our cuisines are effectively managed under an extensive food safety manual. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the hotel.

Complaints were usually received about some insects at room and some noise disturbance from other rooms. Once the hotel staff received the cases, they would immediately solve the problem.

Data Privacy: The hotel will only collect personal data for operational needs and clearly inform all customers or persons about the information collected will be kept confidential, securely and accessible by designated personnel only. During the reporting year, there was no substantiated complaints received concerning breaches of customer privacy and losses of customer data.

# Environmental Social and Governance Report

## Social (continued)

### 7. Anti-Corruption

The Group has developed an anti-corruption policy statement which is applied to all personnel of the Group (including direct and indirect subsidiaries and controlled affiliates, individually and collectively). All personnel are responsible for complying with this policy and all applicable anti-corruption laws in the performance of their duties for the Group.

**In regards to the hotel operation:-** the hotel does not tolerate any forms of corruption or malpractice such as bribery, money laundering, extortion and fraud. Professional conduct at the workplace is outlined in the employee handbook. During the reporting year, there was no reported case of corruption or bribery.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering during the reporting period.

### 8. Community Investment

In 2022, the Group has developed Corporate Social Responsibility policy as our guideline for community investment and donation in Vietnam for its cement operation. The purpose of this policy is to establish a fair, consistent and transparent process by which requests for support for eligible charities will be managed. Our community investment focuses on poverty group, child education, medical and health services.

In 2022, the Group's cement plant continued to have contributed to the Huong Tra Community fund for the local people health improvement and "Operation Smile", an organization for reconstruction surgery for Vietnam's children facial. In addition, the company has provided support to disadvantaged children.

**In regards to the hotel operation:-** there was neither volunteer service nor donation due to covid-19 in year 2022.

# Corporate Governance Practices

## 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 (the “Code”) as stated in Appendix 14 of the Rules Governing the Listing of Securities (the “Listing Rules”) of The Stock of Hong Kong Limited. The Code has been amended with effect from 1 January 2022 and applicable to the Group in the financial year commencing on or after 1 January 2022.

Throughout the financial year ended 31 December 2022, the Company has complied with the code provisions set out in the Code (and its amendments), except for code provision C.2.1.

According to code provision C.2.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer of the Company were performed by Mdm. CHENG Cheung (“Mdm. CHENG”) throughout the financial year ended 31 December 2022.

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 C.2.1 is 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 C.2.1 since 17 January 2023.

## The Board

The key responsibilities of the Board include, among other things, formulating the Group’s overall strategies, setting management targets, regulating internal controls and financial management, and supervising the management’s performance while the day-to-day operations and management are delegated by the Board to the senior management of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company’s corporate governance guidelines.

The Board currently comprises 8 directors, namely Mdm. CHENG (the Chairman), Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan Monsie as executive directors, Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. LAM Chi Kuen as independent non-executive directors. Their biographical details are presented on pages 35 to 36 of this annual report. The Company and its directors (including independent non-executive directors) have not entered into any service contract with a specified length of service. However, all independent non-executive directors shall be appointed for a specific term of one year until the forthcoming annual general meeting and shall be reappointed after being re-elected at the annual general meeting.

All directors, except the Chairman, are subject to retirement by rotation and re-election at annual general meetings of the Company at least every three years. The Company has received a confirmation of independence from each of the independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. LAM Chi Kuen considers them to be independent.

# Corporate Governance Practices

## The Board (continued)

### Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board's meetings. A Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

The Board convened eleven meetings during the financial year ended 31 December 2022. Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin, Ms. LUK Sze Wan, Monsie and Mr. LIANG Fang attended all board meetings. Mdm. CHENG and Mr. LAM Chi Kuen attended eight meetings and Mr. LIU Li Yuan attended nine meetings.

### Appointment, re-election and removal of Directors

The Board is responsible for the appointment and removal of Directors.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not greater than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting.

According to the Company's Bye-laws, any director in his first year of appointment is subject to re-election by shareholders at the forthcoming annual general meeting.

All Independent Non-executive Directors are appointed for a specific term of one year and are subject to re-election at each annual general meeting.

## The Board (continued)

### Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2022, by:-

- (A) reading newspapers, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.
- (B) attending seminars and/or conference and/or forum

Mr. LIU Li Yuan and Mr. LIANG Fang have attained (A) above, whereas Mdm. CHENG, Mr. LUK Yan, Mr. LUK Fung, Ms. LUK Sze Wan Monsie, Mr. FAN Chiu Tat Martin and Mr. LAM Chi Kuen, have attained both (A) and (B) above.

### Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

### Chairman and Chief Executive Officer

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

According to code provision C.2.1, the roles of Chairman and Chief Executive Officer ("CEO") should be separate and should not be performed by the same individual. Throughout the financial year ended 31 December 2022, both the roles of Chairman and Chief Executive Officer of the Company were performed by Mdm. CHENG. Mdm. CHENG is a founder of the Company and is in charge of the overall management of the Company. 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.

# Corporate Governance Practices

## The Board (continued)

### Chairman and Chief Executive Officer (continued)

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 C.2.1 since 17 January 2023.

## Board Committees

The Board currently has three principal board committees, which are the audit committee, the remuneration committee and the nomination committee.

### Audit Committee

The Company has set up an Audit Committee, comprised solely of all three independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan, and Mr. LAM Chi Kuen. Mr. LIANG Fang is the chairman of the Audit Committee. All members of the Audit Committee have many years of finance and business management experience and expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

In 2022, the audit committee met twice and Mr. LIANG Fang and Mr. LAM Chi Kuen attended both meetings and Mr. LIU Li Yuan attended one meeting. During the year, the Audit Committee performed the works as summarized below:

- (i) reviewed and recommended 2021 final results, audit findings and draft final results announcement for the Board's approval;
- (ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iii) reviewed and discussed on the Management Discussion and Analysis, and different business segments' performances, contributions and prospects;
- (iv) reviewed and discussed the cashflow situation of the Group;
- (v) discussed the final dividend to be declared;
- (vi) considered the audit fee for the Year 2022;
- (vii) reviewed and recommended 2022 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;
- (viii) reviewed and recommended the Report on Internal Control for the Board's approval.

## Board Committees (continued)

### Remuneration Committee

The Company has set up a Remuneration Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company and Mdm. CHENG, the Chairman of the Company. Mr. LIU Li Yuan is the chairman of the remuneration committee. Mdm. CHENG resigned as a member of the committee and Ms. LUK Sze Wan, Monsie was appointed as a member of the Remuneration Committee on 17 January 2023.

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of non-executive directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

In 2022, the Remuneration Committee met once. All members attended all meetings. During the year, the Remuneration Committee performed the works as summarized below:

- (i) reviewed remuneration packages of all senior management;
- (ii) reviewed and recommended the existing policy and structure for the Company's staff, including salary, share options scheme and other incentive scheme;
- (iii) reviewed the existing policy and structure for the remuneration of Directors;
- (iv) reviewed and recommended revision of the existing remuneration packages of the Executive Directors;
- (v) reviewed remuneration of the independent non-executive directors.

At present, remunerations of the senior management of the Company mainly consist of fixed monthly salary. Certain senior management is also awarded with a performance-linked annual bonus, which is tied to the attainment of key performance indicators targets. The remuneration of non-executive directors is determined with reference to the prevailing market conditions and workload of being non-executive directors and members of the board committees of the Company.

# Corporate Governance Practices

## Board Committees (continued)

### Nomination Committee

The Company has set up a Nomination Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent non-executive directors of the Company and Mdm. CHENG Cheung, the Chairman of the Company. Mdm. CHENG is the chairman of the Nomination Committee. Mdm. CHENG resigned as the Chairman and member of the Committee, while Mr. LIANG Fang and Mr. LUK Yan were appointed as the chairman of the Nomination Committee and a member of the Nomination Committee respectively on 17 January 2023.

The primary responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and, reviewing the Committee's terms of reference and its own effectiveness and recommending to the Board from time to time any necessary changes.

### Board Diversity Policy

The Company has adopted a written board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Board recognizes the benefits of a diverse Board with members possessing a balance of skills, experience, knowledge and expertise which complement the effectiveness and business success of the Group. Pursuant to the Company's board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge, expertise and length of service. All Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, having regard to the benefits of diversity of the Board.

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board.

### Director Nomination Policy

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company.

## Board Committees (continued)

### Director Nomination Policy (continued)

In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in the director nomination policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company etc. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the bye-laws of the Company and the Listing Rules.

In case of re-appointments of members of the Board at general meetings of the Company, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board, as well as whether the retiring Director continues to meet the nomination and appointment criteria as set out in the director nomination policy of the Company, prior to making recommendations to the Board for its consideration and recommendations to the shareholders of the Company.

In 2022, the Nomination Committee met once. Mdm. CHENG, Mr. LIU Li Yuan and Mr. LIANG Fang attended all meetings. During the year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board. The Nomination committee also reviewed the independency of all independent non-executive directors, and the re-appointment of directors.

## Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of the Directors and senior officers of the Group;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the codes of conduct applicable to employees and the Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the Year, the Board considered the following corporate governance matters: - including review of the compliance with the CG Code; and review of the effectiveness of the risk management and internal control systems of the Group through the Audit Committee.

# Corporate Governance Practices

## Dividend Policy

The Company has adopted a written dividend policy setting out the principles for the Board to determine the appropriate amount of dividend to be distributed. The board may from time to time pay to the Company's shareholders the interim dividends, as well as the final dividends which is however subject to shareholders' approval in the Annual General Meeting. In deciding whether to declare dividends and in determining the dividend amount, the board shall take into consideration the performance, financial position, liquidity, implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others, of the Company and its subsidiaries, as well as the general business and economic conditions. The payment of dividends by the Company is also subject to the restrictions and conditions under the laws of Bermuda, the bye-laws of the Company and other applicable laws and regulations the Company is subject to from time to time.

The Board may from time to time review and amend the dividend policy as it deems fit and necessary.

## Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2022. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the "black out period" as specified in the Model Code.

## Directors' Responsibility For The Consolidated Financial Statements

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

## Auditor's Remuneration

Messrs. Ernst & Young has been re-appointed as the Company's auditor at the annual general meeting of 2022 until the conclusion of the next annual general meeting.

For the year ended 31 December 2022, amounts of HK\$2,362,000 and HK\$345,000 were paid to Ernst & Young for their statutory audit service and tax service respectively.

The statement of the Company's auditor, Messrs. Ernst & Young, regarding their reporting responsibilities is set out in the Independent Auditor's Report on pages 40 to 45.

## Internal Control

The Board recognizes its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorized use, and maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2022, based on the evaluations made by management, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

## Shareholders' Rights

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting. Any vote of Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("SEHK") on the day of the general meeting. The memorandum of association of the Company and Bye-laws are available on the websites of the Company and SEHK. Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

# Corporate Governance Practices

## Communication With Shareholders

The Board has established various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. The Company's auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditor's reports.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the SEHK. Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

## Investor Relations

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, investors' meetings and general meetings that may be convened, as well as making available all the disclosures submitted to SEHK to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

# Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2022.

## Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

## Results and Dividends

The Group's profit for the year ended 31 December 2022 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 46 to 127.

An interim dividend of HK2 cents per ordinary share was paid on 20 October 2022. The directors recommend the payment of a final dividend of HK2 cents per ordinary share in respect of the year to shareholders on the register of members on 14 June 2023.

## Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 130. This summary does not form part of the audited financial statements.

## Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements respectively. Further details of the Group's investment properties are set out on page 128.

## Share Capital

Details of movements in the Company's share capital during the year are set out in notes 27 to the financial statements.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

## Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company, nor any of its subsidiaries purchased, redeemed sold any of the Company's listed securities during the year.

# Report of the Directors

## Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

## Distributable Reserves

At 31 December 2022, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$644,459,000 of which HK\$10,052,000 has been proposed as a final dividend for the year.

## Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 48% of the total sales for the year and sales to the largest customer included therein amounted to approximately 20%. Purchases from the Group's five largest suppliers accounted for approximately 42% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 12%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

## Directors

The directors of the Company during the year were:

### *Executive directors:*

Cheng Cheung  
Luk Yan  
Fan Chiu Tat, Martin  
Luk Fung  
Luk Sze Wan, Monsie

### *Independent non-executive directors:*

Liu Li Yuan  
Liang Fang  
Lam Chi Kuen

The Company has received annual confirmations of independence from Messrs. Liang Fang, Liu Li Yuan and Lam Chi Kuen and as at the date of this report still considers them to be independent.

## Directors' and Senior Management's Biographies

Madam Cheng Cheung, aged 82, is Chairman of the Company. Madam Cheng has been with the Group for over 45 years. She is mainly responsible for the overall strategic planning of the Group. She also holds directorship in various subsidiaries of the Group. Madam Cheng is the mother of Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Luk Yan, aged 58, is an Executive Director and Co-CEO of the Company, and a member of the Company's Nomination Committee. He is the General Manager of Luks Land (Vietnam) Limited, a wholly-owned subsidiary of the Group and is responsible for the Group's property investment and management in Vietnam. He has been with the Group for 33 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, an elder brother of Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Fan Chiu Tat, Martin, aged 56, is an Executive Director and the company secretary of the Company. He graduated from The University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan is also the financial controller of the Company. He has been with the Group for 33 years. He also holds directorship in various subsidiaries of the Group. He currently serves as an Independent Non-Executive Director of Hong Kong Johnson Holdings Company Limited.

Mr. Luk Fung, aged 54, is an Executive Director and Co-CEO of the Company. He is a holder of a MBA degree from The Chinese University of Hong Kong. He has years of experience in the financial services industry prior to joining the Group. He is the General Manager of Luks Cement (Vietnam) Limited, a wholly-owned subsidiary of the Group and is responsible for the development of the cement business of the Group. He has been with the Group for 23 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, a younger brother of Mr. Luk Yan and an elder brother of Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Ms. Luk Sze Wan, Monsie, aged 46, is an Executive Director and Co-CEO of the Company, and a member of the Company's Remuneration Committee. Ms. Luk holds a Bachelor of Arts Degree from The University of Hong Kong. She has been working for the Group for over 16 years. She has been holding the position of the Investor Relations Director, being responsible for investor relations of the Group. Ms. Luk is also in charge of the hotel development project of the Group. She also holds directorship in various subsidiaries of the Group. She is the daughter of Madam Cheng Cheung and the younger sister of Mr. Luk Yan and Mr. Luk Fung, who are all Executive Directors of the Company.

Mr. Liang Fang, aged 68, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liang is a holder of a MBA degree from the Massachusetts Institute of Technology of the United States of America. He has been working in the IT business for a number of years.

Mr. Liu Li Yuan, aged 71, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu is a graduate with a Diploma from the Faculty of Law of The University of Beijing. He is currently a director of a property investment and management company in Mainland China.

# Report of the Directors

Mr. Lam Chi Kuen, aged 69, is an Independent Non-Executive Director and a member of the Audit Committee of the Company. Mr. Lam has years of experience in auditing, finance and accounting fields. He currently serves as an Independent Non-Executive Director of China Cinda Asset Management Company Limited, and China Life Insurance Company Limited. He was formerly a senior adviser and partner of Ernst & Young. He was awarded with a Higher Diploma in Accounting. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

## Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained Directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

## Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. The Directors' remuneration is determined by the Remuneration Committee of the Company. Particulars of the Director's remuneration are set out in note 8 to the financial statements.

## Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

## Directors' Interest in Competing Business

As at 31 December 2022, none of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

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

At 31 December 2022, 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:*

Name of director	Notes	Number of shares held, capacity and nature of interest				Total	Percentage of the Company's issued share capital
		Directly Beneficially owned	Family interest held by spouse	Through controlled corporation	Through Trustee of a Trust		
Cheng Cheung	(a)	21,288,800	–	36,912,027	–	58,200,827	11.58
Luk Yan	(b)	3,070,800	174,000	–	272,824,862	276,069,662	54.93
Luk Fung	(b)	3,229,600	–	–	272,824,862	276,054,462	54.93
Luk Sze Wan, Monsie	(b)	1,300,000	–	–	272,824,862	274,124,862	54.55
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 Ms. Luk Sze Wan, Monsie was the beneficiary of The Luks Family Trust. The shareholdings of Mr. Luk Ngai and Luks Family (PTC) Limited were disclosed in the below section referring to Substantial Shareholders' interests in shares.

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

Save as disclosed above, as at 31 December 2022, 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.

# Report of the Directors

## Directors' Rights to Acquire Shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses 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.

## Share Option Schemes

At the AGM of the Company held on 29 May 2018, the shareholders of the Company approved the adoption of share option scheme. Unless otherwise terminated or amended, the share option scheme will remain in force for ten years from the date of adoption.

From the adoption date to 31 December 2022, no share options were granted under the share option scheme. Particulars are disclosed in note 28 to the financial statements.

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

At 31 December 2022, 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
CC (Holdings) Limited	Directly beneficially owned	36,912,027	7.34
Kopernik Global Investors LLC	Directly beneficially owned	25,274,866	5.03
Luks Family (PTC) Limited	Directly beneficially owned	272,824,862	54.29
Luk Ngai (Note)	Directly beneficially owned and through Trustee of a Trust	276,214,862	54.96

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 31 December 2022, 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.

## 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.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## Auditors

The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young who will retire and, being eligible, offer themselves for re-appointment at the 2023 annual general meeting.

There has been no change of the auditor of the Company in the preceding three years.

ON BEHALF OF THE BOARD

### **Cheng Cheung**

*Chairman*

Hong Kong

22 March 2023

# Independent Auditor's Report



## To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

### Opinion

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 46 to 127, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

**To the shareholders of Luks Group (Vietnam Holdings) Company Limited**

*(Incorporated in Bermuda with limited liability)*

**Key audit matters** (continued)

Key audit matter	How our audit addressed the key audit matter
<i>Estimation of fair value of investment properties</i>	
<p>The Group holds a portfolio of investment properties situated in Vietnam, Hong Kong and Mainland China for rental earning purpose. Such investment properties are measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties was HK\$1,196 million as at 31 December 2022.</p> <p>Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as estimated rental value of the relevant properties and made assumptions about discount rates and term yields.</p> <p>Disclosures in relation to the estimation of fair values of investment properties are included in notes 3 and 14 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the valuations of investment properties included the following:</p> <ul style="list-style-type: none"> <li>• obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group;</li> <li>• assessing the external valuers’ qualifications, experience and expertise and considering their objectivity and independence;</li> <li>• involving our internal valuation specialists to assist us to assess the valuation methodologies applied and evaluate the key assumptions and estimates adopted in the valuations, including performing benchmarking on the value of the investment properties to other comparable properties;</li> <li>• comparing the property-related inputs used in the valuations with underlying documentation, such as lease agreements; and</li> <li>• assessing the adequacy of the disclosures on the valuation of the investment properties.</li> </ul>

# Independent Auditor’s Report

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

## Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of the hotel operation</i></p> <p>The Group has a hotel operation in Hong Kong (the “Hotel Operation”), of which the segment assets mainly consist of a hotel property (the “Hotel Property”) with a net carrying amount of HK\$486 million (including the related leasehold land, building, furniture, fixtures and office equipment) as at 31 December 2022.</p> <p>At the end of the reporting period, there was an indicator of impairment for the Hotel Property due to the continuous losses recorded by the Hotel Operation. Management performed an impairment assessment of the Hotel Property and determined its recoverable amount based on the fair value less costs of disposal.</p> <p>During the year, no impairment was made against the Hotel Property.</p> <p>Management engaged an external valuer to perform the fair value estimation of the Hotel Property. The impairment assessment of the Hotel Property is significant to our audit due to (i) the materiality of the net carrying amount of Hotel Property; and (ii) the determination of the fair value less costs of disposal of the Hotel Property is dependent on a range of estimates such as estimated occupancy rates, estimated future cash flows and discount rate.</p> <p>Disclosures in relation to the impairment assessment of the Hotel Operation is included in notes 3 and 13 to the consolidated financial statements.</p>	<p>Our audit procedures to evaluate the recoverable amount of the Hotel Property included the following:</p> <ul style="list-style-type: none"> <li>• obtaining and reviewing the valuation report prepared by the external valuer engaged by the Group;</li> <li>• assessing the external valuer’s qualifications, experience and expertise and considering its objectivity and independence;</li> <li>• involving our internal valuation specialists to assist us to assess the valuation methodology applied and the key estimates and assumptions adopted in the valuation; and</li> <li>• evaluating the estimated costs of disposal prepared by management.</li> </ul>

**To the shareholders of Luks Group (Vietnam Holdings) Company Limited**

*(Incorporated in Bermuda with limited liability)*

## **Other information included in the Annual Report**

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the directors for the consolidated financial statements**

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## To the shareholders of Luks Group (Vietnam Holdings) Company Limited

*(Incorporated in Bermuda with limited liability)*

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

**To the shareholders of Luks Group (Vietnam Holdings) Company Limited**

*(Incorporated in Bermuda with limited liability)*

**Auditor’s responsibilities for the audit of the consolidated financial statements** (continued)

- Conclude on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor’s report is Mr. CHUNG Ho Ling.

**Ernst & Young**

*Certified Public Accountants*

27/F, One Taikoo Place

979 King’s Road

Quarry Bay, Hong Kong

22 March 2023

# Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>REVENUE</b>	5	<b>492,875</b>	513,230
Cost of sales		<b>(361,955)</b>	(359,257)
Gross profit		<b>130,920</b>	153,973
Other income and gains	5	<b>21,610</b>	18,628
Fair value gains on investment properties, net	14	<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	7	<b>(3,651)</b>	(2,872)
<b>PROFIT BEFORE TAX</b>	6	<b>76,218</b>	115,132
Income tax expense	10	<b>(27,720)</b>	(30,540)
<b>PROFIT FOR THE YEAR</b>		<b>48,498</b>	84,592
Attributable to:			
Owners of the parent		<b>53,494</b>	84,669
Non-controlling interests		<b>(4,996)</b>	(77)
		<b>48,498</b>	84,592
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	12		
Basic and diluted		<b>HK10.6 cents</b>	HK16.8 cents

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2022

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

# Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	13	<b>945,105</b>	999,094
Investment properties	14	<b>1,196,473</b>	1,209,170
Properties for development	16	<b>207,653</b>	219,952
Prepayments, other receivables and other assets	19	<b>21,891</b>	23,081
Total non-current assets		<b>2,371,122</b>	2,451,297
<b>CURRENT ASSETS</b>			
Inventories	17	<b>70,850</b>	69,119
Trade receivables	18	<b>37,348</b>	35,892
Prepayments, other receivables and other assets	19	<b>9,535</b>	28,647
Financial assets at fair value through profit or loss	20	<b>5,120</b>	14,477
Cash and cash equivalents	21	<b>444,409</b>	439,596
Total current assets		<b>567,262</b>	587,731
<b>CURRENT LIABILITIES</b>			
Trade payables	22	<b>8,778</b>	18,461
Other payables and accruals	23	<b>85,386</b>	78,852
Interest-bearing bank and other borrowings	24	<b>67,392</b>	123,545
Tax payable		<b>28,323</b>	35,225
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

	Notes	2022 HK\$'000	2021 HK\$'000
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,748,505</b>	2,782,945
<b>NON-CURRENT LIABILITIES</b>			
Other payables	23	<b>36,871</b>	41,775
Provisions	25	<b>3,205</b>	3,262
Deferred tax liabilities	26	<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	27	<b>5,026</b>	5,026
Reserves	29	<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

**Cheng Cheung**

*Director*

**Luk Sze Wan, Monsie**

*Director*

# Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent										
	Notes	Issued	Contributed	Capital	Capital	Property	Exchange	Retained	Total	Non-	Total
		capital	surplus	redemption	reserve	revaluation	fluctuation	profits		controlling	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 27)	(note 29(b))	(note 29(c))	(note 29(d))							
At 1 January 2021		5,026	903,400	730	-	24,173	(491,051)	2,042,470	2,484,748	(28,605)	2,456,143
Profit/(loss) for the year		-	-	-	-	-	-	84,669	84,669	(77)	84,592
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	-	22,199	-	22,199	(145)	22,054
Total comprehensive income/(loss) for the year		-	-	-	-	-	22,199	84,669	106,868	(222)	106,646
Acquisition of non-controlling interests		-	-	-	(6,371)	-	-	-	(6,371)	6,371	-
2020 final dividend	11	-	(15,077)	-	-	-	-	-	(15,077)	-	(15,077)
2021 interim dividend	11	-	(15,077)	-	-	-	-	-	(15,077)	-	(15,077)
At 31 December 2021		5,026	873,246*	730*	(6,371)*	24,173*	(468,852)*	2,127,139*	2,555,091	(22,456)	2,532,635
At 1 January 2022		<b>5,026</b>	<b>873,246</b>	<b>730</b>	<b>(6,371)</b>	<b>24,173</b>	<b>(468,852)</b>	<b>2,127,139</b>	<b>2,555,091</b>	<b>(22,456)</b>	<b>2,532,635</b>
Profit/(loss) for the year		-	-	-	-	-	-	<b>53,494</b>	<b>53,494</b>	<b>(4,996)</b>	<b>48,498</b>
Other comprehensive income for the year:											
Exchange differences on translation of foreign operations		-	-	-	-	-	<b>(51,451)</b>	-	<b>(51,451)</b>	<b>5,126</b>	<b>(46,325)</b>
Total comprehensive income for the year		-	-	-	-	-	<b>(51,451)</b>	<b>53,494</b>	<b>2,043</b>	<b>130</b>	<b>2,173</b>
2021 final dividend	11	-	<b>(15,077)</b>	-	-	-	-	-	<b>(15,077)</b>	-	<b>(15,077)</b>
2022 interim dividend	11	-	<b>(10,052)</b>	-	-	-	-	-	<b>(10,052)</b>	-	<b>(10,052)</b>
At 31 December 2022		<b>5,026</b>	<b>848,117*</b>	<b>730*</b>	<b>(6,371)*</b>	<b>24,173*</b>	<b>(520,303)*</b>	<b>2,180,633*</b>	<b>2,532,005</b>	<b>(22,326)</b>	<b>2,509,679</b>

\* These reserve accounts comprise the consolidated reserves of HK\$2,526,979,000 (2021: HK\$2,550,065,000) in the consolidated statement of financial position.

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before tax		<b>76,218</b>	115,132
Adjustments for:			
Finance costs	7	<b>3,651</b>	2,872
Interest income	5	<b>(12,012)</b>	(12,183)
Dividend income from financial assets at fair value through profit or loss	5	<b>(444)</b>	(414)
Fair value gains on investment properties, net Gain on disposal of items of property, plant and equipment, net	14 5	<b>(16,674)</b> –	(32,868) (300)
Write-off of property, plant and equipment	6	<b>560</b>	–
Depreciation of property, plant and equipment	6	<b>64,372</b>	67,684
Loss on disposal of investment properties	6	–	1,308
Impairment losses on items of property, plant and equipment	6	–	16,732
Amortisation of properties for development	6	<b>1,228</b>	1,121
Depreciation of right-of-use assets	6	<b>4,024</b>	4,062
Impairment of trade receivables, net	6	<b>690</b>	586
Fair value loss on financial assets at fair value through profit or loss	6	<b>2,229</b>	356
Write-down of properties for development	6	<b>10,205</b>	–
		<b>134,047</b>	164,088
Increase in properties for development		–	(193,205)
Increase in inventories		<b>(3,881)</b>	(9,973)
Decrease/(increase) in trade receivables		<b>(3,189)</b>	846
Decrease/(increase) in prepayments, other receivables and other assets		<b>19,913</b>	(22,730)
Increase/(decrease) in trade payables		<b>(9,121)</b>	9,117
Increase/(decrease) in other payables and accruals		<b>9,922</b>	(7,812)
Increase/(decrease) in rental deposits		<b>(3,108)</b>	1,175
Increase/(decrease) in provisions		<b>(36)</b>	194
Cash generated from/(used in) operations		<b>144,547</b>	(58,300)
Interest paid		<b>(3,651)</b>	(2,872)
Hong Kong profits tax (paid)/refund		<b>(16)</b>	7
Overseas taxes paid		<b>(33,542)</b>	(28,674)
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>107,338</b>	(89,839)

# Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 HK\$'000	2021 HK\$'000
<b>NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES</b>		<b>107,338</b>	(89,839)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		12,012	12,183
Dividend received		444	414
Decrease/(increase) in time deposits with original maturity of over three months when acquired		(7,227)	13,077
Purchases of items of property, plant and equipment		(30,180)	(13,509)
Proceeds from disposal of financial assets at fair value through profit or loss		7,126	–
Proceeds from disposal of items of property, plant and equipment		–	636
Purchases of financial assets at fair value through profit or loss		–	(14,776)
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>		<b>(17,825)</b>	(1,975)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
New bank loans		20,000	138,520
Repayment of bank loans		(76,153)	(23,725)
Principal portion of lease payments	30	(555)	(576)
Dividends paid		(25,129)	(30,154)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>(81,837)</b>	84,065
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>7,676</b>	(7,749)
Cash and cash equivalents at beginning of year		277,627	279,706
Effect of foreign exchange rate changes, net		(10,090)	5,670
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>		<b>275,213</b>	277,627
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	21	104,690	192,713
Non-pledged time deposits with original maturity of less than three months when acquired		170,523	84,914
Non-pledged time deposits with original maturity of over three months when acquired		169,196	161,969
Cash and cash equivalents as stated in the statement of financial position	21	444,409	439,596
Less: Non-pledged time deposits with original maturity of over three months when acquired		(169,196)	(161,969)
Cash and cash equivalents as stated in the statement of cash flows		275,213	277,627

## 1. Corporate and Group Information

Luks Group (Vietnam Holdings) Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal office of the Company is located at 5/F, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- manufacture and sale of cement
- property investment and provision of property management and related services
- property development
- sale of electronic products
- hotel operation

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Luks Family (PTC) Limited, which is incorporated in British Virgin Islands.

### Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	US\$2	100	–	Investment holding
Luks Industrial Company Limited	Hong Kong	HK\$168,048,482	–	100	Property investment, investment holding and hotel operation
Luks Industrial (Bao An) Company Limited*	People's Republic of China ("PRC")	HK\$39,000,000	–	100	Property investment
Luks Electrical Appliance Manufacturing Limited	Hong Kong	HK\$300,000	–	100	Sale of electronic products
Luks Vietnam Company Limited	British Virgin Islands/ Hong Kong	US\$3	100	–	Investment holding

# Notes to Financial Statements

31 December 2022

## 1. Corporate and Group Information (continued)

### Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Luks Timber (Vietnam) Limited	Vietnam	VND15,715,698,000	–	100	Manufacture and sale of plywood
Luks Cement Company Limited	British Virgin Islands/ Hong Kong	US\$50,000	–	100	Investment holding
Luks Cement (Vietnam) Limited	Vietnam	VND751,329,773,000	–	100	Manufacture and sale of cement
Luks Land Company Limited	British Virgin Islands/ Hong Kong	US\$100	–	100	Investment holding
Luks Land (Vietnam) Limited	Vietnam	VND193,639,051,000	–	100	Property investment and management
Luks Land Development Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Luks Land Investments Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Thanh Phat Investment and Construction Company Limited	Vietnam	VND35,000,000,000	–	85	Property development
Luks Realty Development Limited	British Virgin Islands/ Hong Kong	US\$1	–	100	Investment holding
Luks New Property Solution Company Limited	Mongolia	US\$100,000	–	80	Property development

\* Registered as a wholly-foreign-owned enterprise under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 2.1 Basis of Preparation

These 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. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

### 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.

# Notes to Financial Statements

31 December 2022

## 2.1 Basis of Preparation (continued)

### Basis of consolidation (continued)

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.

## 2.2 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  
Amendments to HKAS 16  
Amendments to HKAS 37  
*Annual Improvements to  
HKFRSs 2018-2020*

*Reference to the Conceptual Framework  
Property, Plant and Equipment: Proceeds before Intended Use  
Onerous Contracts – Cost of Fulfilling a Contract  
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.

## 2.2 Changes in Accounting Policies and Disclosures (continued)

- (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.

# Notes to Financial Statements

31 December 2022

## 2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> <sup>3</sup>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>1</sup>
Amendments to HKFRS 17	<i>Insurance Contracts</i> <sup>1,5</sup>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i> <sup>6</sup>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i> <sup>2,4</sup>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i> <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> <sup>1</sup>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i> <sup>1</sup>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> No mandatory effective date yet determined but available for adoption

<sup>4</sup> As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

<sup>5</sup> As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

<sup>6</sup> An entity that chooses to apply the transition option relating to the classification overlay set out in this amendments shall apply it on initial application of HKFRS 17

## 2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

# Notes to Financial Statements

31 December 2022

## 2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 Summary of Significant Accounting Policies

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## 2.4 Summary of Significant Accounting Policies (continued)

### Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Fair value measurement (continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties for development, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

## 2.4 Summary of Significant Accounting Policies (continued)

### Impairment of non-financial assets (continued)

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

### Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
  - (i) the entity and the Group are members of the same group;
  - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
  - (iii) the entity and the Group are joint ventures of the same third party;
  - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
  - (vi) the entity is controlled or jointly controlled by a person identified in (a);
  - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Impairment of non-financial assets (continued)

#### Related parties (continued)

(b) (continued)

- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

### Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of revalued property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged.

On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

#### Owned assets

Buildings	Over the lease terms
Leasehold improvements	15% – 20%
Plant and machinery	4% – 15%
Furniture, fixtures and office equipment	10% – 20%
Motor vehicles	7% – 25%

## 2.4 Summary of Significant Accounting Policies (continued)

### Property, plant and equipment and depreciation (continued)

#### Right-of-use assets

Leasehold land	Over the lease terms
Motor vehicles	25%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, structures, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

#### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Investment properties (continued)

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

### Properties for development

Properties for development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties for development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. 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.

## 2.4 Summary of Significant Accounting Policies (continued)

### Leases (continued)

#### Group as a lessee (continued)

##### **a) *Right-of-use assets*** (continued)

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties for development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties for development". 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".

##### **b) *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 lease. 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 its incremental borrowing rate at the lease commencement date because 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables and accruals.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Leases (continued)

#### Group as a lessee (continued)

##### c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

## 2.4 Summary of Significant Accounting Policies (continued)

### Investments and other financial assets

#### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Investments and other financial assets (continued)

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

#### Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

#### Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

#### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

## 2.4 Summary of Significant Accounting Policies (continued)

### Derecognition of financial assets (continued)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Impairment of financial assets (continued)

#### General approach (continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

#### Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, rental deposits and interest-bearing bank and other borrowings.

## 2.4 Summary of Significant Accounting Policies (continued)

### Financial liabilities (continued)

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

#### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

### Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

## 2.4 Summary of Significant Accounting Policies (continued)

### Income tax (continued)

#### Deferred tax liabilities are recognised for all taxable temporary differences, except: (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Revenue recognition

#### Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

#### **(a) Sale of cement and other products**

Revenue from the sale of cement and other products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the cement and other products.

#### **(b) Provision of property management and related services**

Revenue from the provision of property management and related services is recognised over the scheduled period on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

#### **(c) Provision of hotel and related services**

Revenue from the provision of hotel services is recognised upon the provision of services and/or over the scheduled period.

## 2.4 Summary of Significant Accounting Policies (continued)

### Revenue recognition (continued)

#### Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

#### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

#### Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

#### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfer control of the related goods or services to the customer).

#### Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Share-based payments (continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

## 2.4 Summary of Significant Accounting Policies (continued)

### Other employee benefits

#### Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### Dividends

Final dividends are recognised as a liability only when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company’s memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

#### Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

# Notes to Financial Statements

31 December 2022

## 2.4 Summary of Significant Accounting Policies (continued)

### Foreign currencies (continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

### 3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

#### Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

#### Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

#### Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in Mainland China, Vietnam and Hong Kong which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption made in HKAS 12 *Income Taxes* that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale.

# Notes to Financial Statements

31 December 2022

## 3. Significant Accounting Judgements and Estimates (continued)

### Judgements (continued)

#### Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax (continued)

The presumption is rebutted only in the circumstances that there is sufficient evidence such as historical transactions, future development plans and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or, in the absence of comparable market transactions, discounted cash flow projections based on estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows of the asset, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

#### Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2022 was HK\$1,196,473,000 (2021: HK\$1,209,170,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

## 4. 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.

### (a) Business segments

Year ended 31 December	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Segment revenue (note 5)</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

# Notes to Financial Statements

31 December 2022

## 4. Operating Segment Information (continued)

### (a) Business segments (continued)

Year ended 31 December	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000	2022 HK\$'000	2021 HK\$'000
<b>Segment assets</b>	<b>601,376</b>	677,741	<b>1,502,824</b>	1,543,749	<b>513,362</b>	530,056	<b>209,405</b>	221,555	<b>111,417</b>	65,927	<b>2,938,384</b>	3,039,028
Total assets											<b>2,938,384</b>	3,039,028
<b>Segment liabilities</b>	<b>79,289</b>	101,075	<b>314,646</b>	369,215	<b>7,033</b>	6,866	<b>10,146</b>	12,214	<b>17,591</b>	17,023	<b>428,705</b>	506,393
Total liabilities											<b>428,705</b>	506,393
<b>Other segment information</b>												
Depreciation and amortisation	<b>41,521</b>	42,299	<b>3,786</b>	3,853	<b>23,061</b>	25,559	<b>1,228</b>	1,122	<b>28</b>	34	<b>69,624</b>	72,867
Capital expenditure	<b>28,483</b>	12,414	<b>633</b>	1,449	<b>1,056</b>	363	-	-	<b>8</b>	24	<b>30,180</b>	14,250
Impairment of trade receivables, net	<b>674</b>	442	-	132	<b>16</b>	12	-	-	-	-	<b>690</b>	586
Fair value gains on investment properties, net	-	-	<b>(16,674)</b>	(32,868)	-	-	-	-	-	-	<b>(16,674)</b>	(32,868)
Loss on disposal of investment properties	-	-	-	1,308	-	-	-	-	-	-	-	1,308
Fair value loss on financial assets at fair value through profit or loss	-	-	<b>2,229</b>	356	-	-	-	-	-	-	<b>2,229</b>	356
Gain on disposal of items of property, plant and equipment, net	-	(70)	-	(230)	-	-	-	-	-	-	-	(300)
Write-off of property, plant and equipment	<b>560</b>	-	-	-	-	-	-	-	-	-	<b>560</b>	-
Impairment of property, plant and equipment	-	-	-	-	-	16,732	-	-	-	-	-	16,732
Write-down of properties for development	-	-	-	-	-	-	<b>10,205</b>	-	-	-	<b>10,205</b>	-

## 4. Operating Segment Information (continued)

### (b) Geographical information

#### (i) Revenue from external customers

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

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

#### (ii) Non-current assets

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

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:

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

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

# Notes to Financial Statements

31 December 2022

## 5. Revenue, Other Income and Gains

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

	2022 HK\$'000	2021 HK\$'000
<b>Revenue from contracts with customers</b>		
Sale of cement	<b>281,452</b>	310,302
Sale of electronic products	<b>14,792</b>	12,600
Rendering of property management and related services	<b>32,055</b>	33,045
Rendering of hotel and related services	<b>52,264</b>	41,004
	<b>380,563</b>	396,951
<b>Revenue from other sources</b>		
Gross rental income from investment property	<b>112,312</b>	116,279
	<b>492,875</b>	513,230

## 5. Revenue, Other Income and Gains (continued)

### Revenue from contracts with customers

#### (i) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Cement products HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Corporate and others HK\$'000	Total HK\$'000
<b>Types of goods or services</b>					
Sale of cement	281,452	–	–	–	281,452
Sale of electronic products	–	–	–	14,792	14,792
Property management and related services	–	32,055	–	–	32,055
Hotel and related services	–	–	52,264	–	52,264
Total revenue from contracts with customers	281,452	32,055	52,264	14,792	380,563
<b>Geographical markets</b>					
Vietnam	281,452	32,055	–	–	313,507
Hong Kong	–	–	52,264	14,792	67,056
Total revenue from contracts with customers	281,452	32,055	52,264	14,792	380,563
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	281,452	–	3,114	14,792	299,358
Services transferred over time	–	32,055	49,150	–	81,205
Total revenue from contracts with customers	281,452	32,055	52,264	14,792	380,563

# Notes to Financial Statements

31 December 2022

## 5. Revenue, Other Income and Gains (continued)

### Revenue from contracts with customers (continued)

#### (i) Disaggregated revenue information (continued)

##### For the year ended 31 December 2021

Segments	Cement products HK\$'000	Property investment HK\$'000	Hotel operation HK\$'000	Corporate and others HK\$'000	Total HK\$'000
<b>Types of goods or services</b>					
Sale of cement	310,302	–	–	–	310,302
Sale of electronic products	–	–	–	12,600	12,600
Property management and related services	–	33,045	–	–	33,045
Hotel and related services	–	–	41,004	–	41,004
Total revenue from contracts with customers	310,302	33,045	41,004	12,600	396,951
<b>Geographical markets</b>					
Vietnam	310,302	33,045	–	–	343,347
Hong Kong	–	–	41,004	12,600	53,604
Total revenue from contracts with customers	310,302	33,045	41,004	12,600	396,951
<b>Timing of revenue recognition</b>					
Goods transferred at a point in time	310,302	–	4,770	12,600	327,672
Services transferred over time	–	33,045	36,234	–	69,279
Total revenue from contracts with customers	310,302	33,045	41,004	12,600	396,951

## 5. Revenue, Other Income and Gains (continued)

### Revenue from contracts with customers (continued)

#### (i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022 HK\$'000	2021 HK\$'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Sale of cement	–	7
Property management and related services	1,908	2,598
Hotel and related services	19	21
	<b>1,927</b>	<b>2,626</b>

#### (ii) Performance obligations

Information about the Group's performance obligations is summarised below:

##### ***Sale of cement and other products***

The performance obligation is satisfied upon delivery of the cement and other products and payment is generally due within 30 to 60 days from delivery, where the bank guarantee is normally required for the cement customer.

##### ***Property management and related services***

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management and related service contracts are for periods of varied years, or are billed based on the time incurred.

##### ***Hotel and related services***

For hotel services, the performance obligation is satisfied over time as services are rendered and security deposits are normally required before rendering the services. Hotel services are billed based on the time incurred or with payment in advance when reservations of room are made. For hotel-related services, the performance obligation is satisfied upon delivery of food, beverages and/or services, and the services are billed based on the time as incurred.

# Notes to Financial Statements

31 December 2022

## 5. Revenue, Other Income and Gains (continued)

### Other income and gains

	2022 HK\$'000	2021 HK\$'000
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
	<b>21,610</b>	18,628

## 6. Profit Before Tax

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

	Notes	2022 HK\$'000	2021 HK\$'000
Cost of inventories sold		<b>294,627</b>	292,433
Cost of services rendered		<b>53,373</b>	56,617
Depreciation of owned assets**	13	<b>64,372</b>	67,684
Depreciation of right-of-use assets**	13	<b>4,024</b>	4,062
Amortisation of properties for development		<b>1,228</b>	1,121
Auditor's remuneration		<b>2,362</b>	2,340
Employee benefit expense (excluding directors' remuneration (note 8))**:			
Wages and salaries***		<b>57,426</b>	57,873
Pension scheme contributions****		<b>854</b>	648
		<b>58,280</b>	58,521
Foreign exchange differences, net*		<b>5,532</b>	534
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		<b>13,955</b>	10,207
Fair value loss on financial assets at fair value through profit or loss*		<b>2,229</b>	356
Loss on disposal of investment properties		–	1,308
Impairment of trade receivables, net*	18	<b>690</b>	586
Written-off of property, plant and equipment*	13	<b>560</b>	–
Impairment of property, plant and equipment*	13	–	16,732
Write down of properties for development*	16	<b>10,205</b>	–

\* These items are included in "other expenses" on the face of the consolidated statement of profit or loss.

\*\* For the year ended 31 December 2022, depreciation and employee benefit expense of HK\$97,170,000 (2021: HK\$99,850,000) are included in "cost of sales" on the face of the consolidated statement of profit or loss.

\*\*\* Wage subsidies of total HK\$2,369,000 (2021: Nil) granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from May to July 2022 had been received during the year ended 31 December 2022. Around HK\$961,000 and HK\$1,408,000 were recognised in "administrative expenses" and "cost of sales" respectively and had been offset with the employee benefit expenses. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or contingencies relating to this grant.

\*\*\*\* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

# Notes to Financial Statements

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## 7. 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
	<b>3,651</b>	2,872

## 8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 HK\$'000	2021 HK\$'000
Fees	824	812
Other emoluments:		
Salaries, allowances and benefits in kind	9,180	8,885
Discretionary bonuses	-	-
Pension scheme contributions	72	72
	<b>9,252</b>	8,957
	<b>10,076</b>	9,769

## 8. Directors' Remuneration (continued)

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 HK\$'000	2021 HK\$'000
Liang Fang	100	100
Liu Li Yuan	100	100
Lam Chi Kuen	100	100
	<b>300</b>	300

### (b) Executive directors

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Discretionary bonuses HK\$'000	Pension scheme contributions HK\$'000	Total remuneration HK\$'000
<b>2022</b>					
Cheng Cheung	100	2,271	–	–	2,371
Luk Yan	100	2,244	–	18	2,362
Luk Fung	124	2,043	–	18	2,185
Fan Chiu Tat, Martin	100	1,842	–	18	1,960
Luk Sze Wan, Monsie	100	780	–	18	898
	<b>524</b>	<b>9,180</b>	<b>–</b>	<b>72</b>	<b>9,776</b>
<b>2021</b>					
Cheng Cheung	100	1,943	–	–	2,043
Luk Yan	100	2,187	–	18	2,305
Luk Fung	112	2,080	–	18	2,210
Fan Chiu Tat, Martin	100	1,925	–	18	2,043
Luk Sze Wan, Monsie	100	750	–	18	868
	512	8,885	–	72	9,469

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2021: Nil).

# Notes to Financial Statements

31 December 2022

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2021: five) directors, details of whose remuneration are set out in note 8 above.

## 10. INCOME TAX

Hong Kong profits 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 are 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%.

	Note	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	26	115	(4,253)
Total tax charge for the year		27,720	30,540

For the year ended 31 December 2022, the weighted average applicable tax rate was 23.0% (2021: 21.0%). The change in the weighted average applicable tax rate was caused by changes in the profitability of the Group's subsidiaries in the respective jurisdictions.

## 10. Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Profit before tax	<b>76,218</b>	115,132
Tax at the statutory tax rates	<b>17,573</b>	24,200
Lower tax rates enacted by local authority	<b>529</b>	(220)
Adjustments in respect of current tax of previous periods	<b>247</b>	3,005
Temporary difference not recognised	<b>(760)</b>	(687)
Income not subject to tax	<b>(747)</b>	(10,724)
Expenses not deductible for tax	<b>5,020</b>	7,754
Tax losses not recognised	<b>5,868</b>	7,222
Others	<b>(10)</b>	(10)
	<b>27,720</b>	30,540

## 11. Dividends

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

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.

# Notes to Financial Statements

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

The calculation of the basic earnings per share amount 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.

## 13. Property, Plant and Equipment

	Right-of-use assets			Owned assets							Total	Total
	Leasehold land	Motor vehicles	Total	Buildings	Leasehold improvements	Plant and machinery	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total		
	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>31 December 2022</b>												
At 1 January 2022												
Cost	137,321	2,515	139,836	589,733	21,029	971,985	34,735	28,466	36,881	1,682,829	1,822,665	
Accumulated depreciation	(19,711)	(1,592)	(21,303)	(130,549)	(11,386)	(610,154)	(27,546)	(22,633)	-	(802,268)	(823,571)	
Net carrying amount	117,610	923	118,533	459,184	9,643	361,831	7,189	5,833	36,881	880,561	999,094	
At 1 January 2022, net of accumulated depreciation and impairment												
	117,610	923	118,533	459,184	9,643	361,831	7,189	5,833	36,881	880,561	999,094	
Additions	-	-	-	-	-	3,129	1,078	620	25,353	30,180	30,180	
Depreciation provided during the year	(3,728)	(296)	(4,024)	(17,559)	(2,722)	(38,995)	(3,798)	(1,298)	-	(64,372)	(68,396)	
Write-off	-	-	-	-	-	(560)	-	-	-	(560)	(560)	
Exchange realignment	(1,273)	-	(1,273)	165	-	(12,104)	(89)	(419)	(1,493)	(13,940)	(15,213)	
At 31 December 2022, net of accumulated depreciation and impairment												
	112,609	627	113,236	441,790	6,921	313,301	4,380	4,736	60,741	831,869	945,105	
At 31 December 2022:												
Cost	135,076	2,515	137,591	567,601	21,031	820,703	36,399	28,273	60,741	1,534,748	1,672,339	
Accumulated depreciation and impairment	(22,467)	(1,888)	(24,355)	(125,811)	(14,110)	(507,402)	(32,019)	(23,537)	-	(702,879)	(727,234)	
Net carrying amount	112,609	627	113,236	441,790	6,921	313,301	4,380	4,736	60,741	831,869	945,105	

### 13. Property, Plant and Equipment (continued)

	Right-of-use assets			Owned assets							
	Leasehold land HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000	Total HK\$'000
<b>31 December 2021</b>											
At 1 January 2021											
Cost	131,904	1,545	133,449	591,966	21,029	916,963	34,926	28,771	26,521	1,620,176	1,753,625
Accumulated depreciation	(12,474)	(1,278)	(13,752)	(95,602)	(8,623)	(523,697)	(23,220)	(21,306)	-	(672,448)	(686,200)
Net carrying amount	119,430	267	119,697	496,364	12,406	393,266	11,706	7,465	26,521	947,728	1,067,425
At 1 January 2021, net of											
accumulated depreciation	119,430	267	119,697	496,364	12,406	393,266	11,706	7,465	26,521	947,728	1,067,425
Additions	-	970	970	222	-	1,361	866	-	10,831	13,280	14,250
Depreciation provided during the year	(3,748)	(314)	(4,062)	(18,215)	(2,763)	(39,540)	(5,380)	(1,786)	-	(67,684)	(71,746)
Impairment	-	-	-	(16,732)	-	-	-	-	-	(16,732)	(16,732)
Disposal	-	-	-	-	-	-	(19)	(317)	-	(336)	(336)
Exchange realignment	1,928	-	1,928	(2,455)	-	6,744	16	471	(471)	4,305	6,233
At 31 December 2021, net of accumulated depreciation and impairment	117,610	923	118,533	459,184	9,643	361,831	7,189	5,833	36,881	880,561	999,094
At 31 December 2021:											
Cost	137,321	2,515	139,836	589,733	21,029	971,985	34,735	28,466	36,881	1,682,829	1,822,665
Accumulated depreciation and impairment	(19,711)	(1,592)	(21,303)	(130,549)	(11,386)	(610,154)	(27,546)	(22,633)	-	(802,268)	(823,571)
Net carrying amount	117,610	923	118,533	459,184	9,643	361,831	7,189	5,833	36,881	880,561	999,094

At 31 December 2022, certain of the Group's leasehold land (included in the right-of-use assets) and buildings with an aggregate carrying amount of HK\$482,110,000 (2021: HK\$501,788,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2022, the Group's leasehold land, buildings, furniture, fixtures and office equipment with an aggregate net carrying amount of HK\$485,572,000 (2021: HK\$507,671,000) were related to the hotel operation business.

# Notes to Financial Statements

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## 14. Investment Properties

	HK\$'000
Carrying amount at 1 January 2021	1,181,820
Net gain from a fair value adjustment	32,868
Disposals	(19,277)
Exchange realignment	13,759
Carrying amount at 31 December 2021 and 1 January 2022	1,209,170
Net gain from a fair value adjustment	16,674
Exchange realignment	(29,371)
Carrying amount at 31 December 2022	1,196,473

For the years ended 31 December 2022 and 2021, the fair value measurements of all investment properties of the Group are categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

The investment properties situated in Hong Kong and the Mainland China were revalued on 31 December 2022 based on valuations performed by APAC Appraisal and Consulting Limited (2021: APAC Appraisal and Consulting Limited) and the investment properties situated in Vietnam were revalued on 31 December 2022 based on valuations performed by Jones Lang Lasalle Vietnam Company Limited (2021: Jones Lang Lasalle Vietnam Company Limited). The investment properties are leased to third parties under operating leases, further details of which are set out in note 15 to the financial statements.

At 31 December 2022, certain investment properties with an aggregate fair value of HK\$146,000,000 (2021: HK\$141,000,000) were pledged to secure general banking facilities granted to the Group (note 24).

Further particulars of the Group's investment properties are set out on page 128.

## 14. Investment Properties (continued)

### Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties using:

	Fair value measurement using significant unobservable inputs (Level 3)	
	2022 HK\$'000	2021 HK\$'000
Recurring fair value measurement for:		
Industrial properties – Hong Kong	<b>158,900</b>	163,500
Commercial properties – Hong Kong	<b>146,000</b>	141,000
Residential properties – Mainland China	<b>20,033</b>	22,185
Commercial properties – Vietnam	<b>871,540</b>	882,485
	<b>1,196,473</b>	1,209,170

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2021: Nil).

# Notes to Financial Statements

31 December 2022

## 14. Investment Properties (continued)

### Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	<b>Industrial properties</b>	<b>Commercial properties</b>	<b>Residential properties</b>
	HK\$'000	HK\$'000	HK\$'000
Carrying amount at 1 January 2021	144,000	1,015,971	21,849
Net gain/(loss) from a fair value adjustment	19,500	13,729	(361)
Disposals	–	(19,277)	–
Exchange realignment	–	13,062	697
Carrying amount at 31 December 2021 and 1 January 2022	163,500	1,023,485	22,185
Net gain/(loss) from a fair value adjustment	(4,600)	21,740	(466)
Exchange realignment	–	(27,685)	(1,686)
Carrying amount at 31 December 2022	158,900	1,017,540	20,033

The valuations of the Group's investment properties in Hong Kong and the Mainland China were based on the income capitalisation method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties in order to arrive at the fair value and/or the direct comparison method, which was based on price information of comparable properties of similar size, character and location and carefully weighted against all the respective advantages and disadvantages of each of the comparable properties in order to arrive at the fair value.

The valuations of the Group's investment properties in Vietnam were based on the discounted cash flow method, which required periodic net cash flows to be forecasted over the life of the investment properties and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value and/or the direct comparison method, which was based on price information of comparable properties of similar size, character and location and carefully weighted against all the respective advantages and disadvantages of each of the comparable properties in order to arrive at the fair value.

## 14. Investment Properties (continued)

### Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuations of investment properties categorised within Level 3 of the fair value hierarchy:

	Valuation techniques	Significant unobservable input(s)	Range or weighted average	
			2022	2021
Hong Kong - Industrial properties	Direct comparison method	Selling price (per square foot)	<b>HK\$2,749 to HK\$6,392</b>	HK\$4,073 to HK\$5,000
Hong Kong - Commercial properties	Income capitalisation method	Estimated rental value (per square foot and per month)	<b>HK\$6,927</b>	HK\$6,690
		Term yield	<b>2.3%</b>	2.3%
		Reversionary yield	<b>2.6%</b>	2.5%
Mainland China - Residential properties	Income capitalisation method	Estimated rental value (per square meter and per month)	<b>HK\$28</b>	HK\$27
		Term yield	<b>2.0%</b>	2.0%
		Reversionary yield	<b>2.5%</b>	2.5%
Vietnam - Commercial properties	Discounted cash flow method	Discount rate	<b>13%</b>	13%
		Estimated rental value (per square meter and per month)	<b>HK\$312 to HK\$351</b>	HK\$310 to HK\$349
Vietnam - Car parks	Discounted cash flow method	Discount rate	<b>13%</b>	13%
		Estimated rental value (per car park and per month)	<b>HK\$187 to HK\$1,406</b>	HK\$186 to HK\$1,396

A significant increase/(decrease) in the price per square foot in isolation would result in a significant higher/(lower) fair value of the investment properties.

A significant increase/(decrease) in the estimated rental value per square meter or square foot per month in isolation would result in a significant higher/(lower) in the fair value of the investment properties. A significant increase/(decrease) in the reversionary yield/term yield in isolation would result in a significant lower/(higher) in the fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square meter or per car park is accompanied by an opposite change in the discount rate or the reversionary yield or the term yield.

# Notes to Financial Statements

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## 15. Leases

### The Group as a lessee

The Group has lease contracts for various items of leasehold land and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the local government and certain on-going payments will be made under the terms of these land leases, subject to each of the relevant lease contracts. The lease term for the leasehold lands and motor vehicles are negotiated on an individual basis and contain a wide range of different terms and conditions.

#### (a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	<b>Leasehold land HK\$'000</b>	<b>Motor vehicles HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 January 2021	<b>119,430</b>	<b>267</b>	<b>119,697</b>
Addition	<b>–</b>	<b>970</b>	<b>970</b>
Depreciation charge	<b>(3,748)</b>	<b>(314)</b>	<b>(4,062)</b>
Exchange realignment	<b>1,928</b>	<b>–</b>	<b>1,928</b>
As at 31 December 2021 and 1 January 2022	<b>117,610</b>	<b>923</b>	<b>118,533</b>
Depreciation charge	<b>(3,728)</b>	<b>(296)</b>	<b>(4,024)</b>
Exchange realignment	<b>(1,273)</b>	<b>–</b>	<b>(1,273)</b>
As at 31 December 2022	<b>112,609</b>	<b>627</b>	<b>113,236</b>

## 15. Leases (continued)

### The Group as a lessee (continued)

#### (b) Lease liabilities

The carrying amount of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Carrying amount as at 1 January	<b>19,408</b>	19,225
New leases	–	741
Accretion of interest recognised during the year	<b>1,786</b>	2,113
Variable lease payment adjustment	–	–
Payments	<b>(2,341)</b>	(2,689)
Exchange realignment	<b>(575)</b>	18
Carrying amount at 31 December	<b>18,278</b>	19,408
Analysed into:		
Repayable:		
Within one year	<b>2,133</b>	2,199
In the second year	<b>2,097</b>	2,312
In the third to fifth year, inclusive	<b>14,048</b>	14,897
Less: Non-current portion	<b>18,278</b>	19,408
	<b>(16,145)</b>	(17,209)
Current portion	<b>2,133</b>	2,199

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

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## 15. Leases (continued)

### The Group as a lessee (continued)

#### (c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 HK\$'000	2021 HK\$'000
Interest on lease liabilities	1,786	2,113
Depreciation charge of right-of-use assets	4,024	4,062
Total amount recognised in profit or loss	5,810	6,175

#### (d) The total cash outflow for leases is disclosed in note 30(b) to the financial statements.

### The Group as a lessor

The Group leases its investment properties (note 14) consisting of certain commercial properties, residential properties and industrial properties in Hong Kong, Vietnam and the Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at 31 December 2022, security deposits received from tenants amounted to HK\$46,127,000 (2021: HK\$43,696,000). Rental income recognised by the Group during the year was HK\$112,312,000 (2021: HK\$116,279,000), details of which are included in note 5 to the financial statements.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year	116,282	120,745
After one year but within two years	58,675	61,231
After two years but within three years	24,559	25,777
After three years but within four years	2,559	2,641
After four years but within five years	663	684
	202,738	211,078

## 16. Properties for Development

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Situated in Vietnam	<b>24,654</b>	26,747
Situated in Mongolia	<b>27,519</b>	33,282
Situated in Hong Kong	<b>193,205</b>	193,205
	<b>245,378</b>	253,234
Impairment	<b>(37,725)</b>	(33,282)
	<b>207,653</b>	219,952

During the year ended 31 December 2022, a write-down of properties for development of HK\$10,205,000 (2021: Nil) was charged to profit or loss, which was related to properties for development situated in Hong Kong with a carrying amount of HK\$183,000,000 (2021: HK\$193,205,000) as at 31 December 2022.

As at 31 December 2022, the land use right included in properties for development situated in Vietnam and Hong Kong amounted to HK\$193,989,000 (2021: HK\$207,000,000) with the remaining lease terms within 50 years.

At 31 December 2022, certain properties for development with an aggregate carrying value of HK\$183,000,000 (2021: HK\$193,205,000) were pledged to secure general banking facilities granted to the Group (note 24).

## 17. Inventories

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Raw materials	<b>24,142</b>	10,990
Consumables	<b>18,827</b>	21,992
Work in progress	<b>8,886</b>	21,678
Finished goods	<b>18,995</b>	14,459
	<b>70,850</b>	69,119

# Notes to Financial Statements

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## 18. Trade Receivables

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

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:

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

## 18. Trade Receivables (continued)

The movements in the loss allowance for impairment of trade receivables are as follows:

	Note	2022 HK\$'000	2021 HK\$'000
At beginning of year		2,525	3,847
Impairment losses, net	6	690	586
Written-off		(1,914)	(2,496)
Exchange realignment		(59)	588
At end of year		1,242	2,525

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by bank guarantees or security deposits). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

### As at 31 December 2022

	Current	Past due		Total
		1 to 3 months	Over 3 months	
Expected credit loss rate	0.36%	0%	9.57%	9.93%
Gross carrying amount (HK\$'000)	20,453	5,922	12,215	38,590
Expected credit losses (HK\$'000)	73	–	1,169	1,242

### As at 31 December 2021

	Current	Past due		Total
		1 to 3 months	Over 3 months	
Expected credit loss rate	0.30%	0%	21.41%	21.71%
Gross carrying amount (HK\$'000)	19,375	7,522	11,520	38,417
Expected credit losses (HK\$'000)	58	–	2,467	2,525

# Notes to Financial Statements

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## 19. Prepayments, Other Receivables And Other Assets

	2022 HK\$'000	2021 HK\$'000
Prepayments	3,935	7,319
Deposits	1,596	1,643
Other receivables	25,895	42,766
	<b>31,426</b>	51,728
Non-current portion	<b>(21,891)</b>	(23,081)
Current portion	<b>9,535</b>	28,647

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. The directors of the Company considered that the expected credit loss exposure is not significant with reference to the historical loss records of the Group.

## 20. Financial Assets At Fair Value Through Profit Or Loss

	2022 HK\$'000	2021 HK\$'000
Listed equity investments – overseas, at fair value	56	58
Unlisted investments – Hong Kong, at fair value	5,064	14,419
	<b>5,120</b>	14,477

The above investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The fair values of these investments are measured based on quoted market prices and categorised within Level 1 of the fair value hierarchy.

## 21. Cash And Cash Equivalents

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Cash and bank balances	<b>104,690</b>	192,713
Time deposits	<b>339,719</b>	246,883
Cash and cash equivalents	<b>444,409</b>	439,596

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") and Vietnamese Dong ("VND") amounted to HK\$46,103,000 (2021: HK\$39,877,000) and HK\$260,225,000 (2021: HK\$301,695,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

## 22. 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:

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

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

# Notes to Financial Statements

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## 23. Other Payables And Accruals

	Notes	2022 HK\$'000	2021 HK\$'000
Rental-related receipts in advance		<b>9,127</b>	7,789
Contract liabilities	(a)	<b>2,912</b>	1,927
Deposit received		<b>46,127</b>	43,696
Accruals		<b>20,622</b>	19,027
Advances from non-controlling shareholders of certain subsidiaries		<b>9,770</b>	11,815
Other payables	(b)	<b>15,421</b>	16,965
Lease liabilities	15(b)	<b>18,278</b>	19,408
		<b>122,257</b>	120,627
Less: Other payables classified as the non-current portion		<b>(36,871)</b>	(41,775)
Current portion		<b>85,386</b>	78,852

Notes:

(a) Details of contract liabilities are as follows:

	31 December 2022 HK\$'000	31 December 2021 HK\$'000	1 January 2021 HK\$'000
Short-term advances received from customers			
Sale of cement	-	-	7
Property management and related services	<b>2,890</b>	1,908	2,598
Hotel and related services	<b>22</b>	19	21
Total contract liabilities	<b>2,912</b>	1,927	2,626

Contract liabilities include short-term advances received to deliver cement products, property management and related services and hotel and related services. There were no significant changes in the contract liabilities during the year.

(b) Other payables are non-interest-bearing and are expected to be settled within one year.

## 24. Interest-Bearing Bank and Other Borrowings

	2022			2021		
	Contractual interest rate	Maturity	HK\$'000	Contractual interest rate	Maturity	HK\$'000
<b>Current</b>						
Long term bank loans repayable on demand – secured	HIBOR+ 1.4%	on demand	67,392	HIBOR+ 1.4% -1.5%	on demand	123,545
			<b>2022 HK\$'000</b>			2021 HK\$'000
Analysed into:						
Bank loans repayable:						
Within one year or on demand (note)				<b>67,392</b>		123,545

Note: As further explained in note 35 to the financial statements, the Group's mortgage loan with an aggregate amount of HK\$62,492,000 (2021: HK\$67,392,000) containing an on-demand clause has been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year or on demand	4,900	56,153
In the second year	4,900	4,901
In the third to fifth years, inclusive	14,703	14,703
Beyond five years	42,889	47,788
	<b>67,392</b>	123,545

Notes:

- At 31 December 2022, certain of the Group's land and buildings, properties for development and investment properties with an aggregate carrying value of HK\$482,110,000 (2021: HK\$501,788,000), HK\$183,000,000 (2021: HK\$193,205,000) and HK\$146,000,000 (2021: HK\$141,000,000), respectively, were pledged to secure the above bank loans and general banking facilities granted to the Group.
- At 31 December 2022 and 2021, all the secured bank loans were denominated in Hong Kong dollars.
- At 31 December 2022, the Company has guaranteed the Group's interest-bearing bank loans and certain general banking facilities up to HK\$180,000,000 (2021: HK\$180,000,000).
- Other interest rate information is as follows:

	2022 HK\$'000	2021 HK\$'000
Floating rate:		
Bank loans – secured	<b>67,392</b>	123,545

- The carrying amounts of the interest-bearing bank and other borrowings of the Group approximate to their fair values.

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## 25. Provisions

	Long service payments HK\$'000	Environmental restoration HK\$'000	Total HK\$'000
At 1 January 2021	2,403	655	3,058
Additional provision	194	–	194
Exchange realignment	–	10	10
At 31 December 2021 and 1 January 2022	2,597	665	3,262
Amount utilised during the year	(36)	–	(36)
Exchange realignment	–	(21)	(21)
At 31 December 2022	2,561	644	3,205

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance.

The provision for environmental restoration costs has been determined by the directors based on the best estimate of the expected costs. However, insofar as the effect of the current limestone excavation activities on the land and the environment becomes apparent in future periods, the estimate of the associated costs may be subject to changes.

## 26. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

### Deferred tax liabilities

	Depreciation allowance in excess of related depreciation HK\$'000	Revaluation of properties HK\$'000	Total HK\$'000
At 1 January 2021	46,118	165,512	211,630
Deferred tax credited to the statement of profit or loss during the year (note 10)	(3,874)	(1,649)	(5,523)
Exchange realignment	581	2,548	3,129
At 31 December 2021 and 1 January 2022	42,825	166,411	209,236
Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10)	(3,906)	3,961	55
Exchange realignment	(1,277)	(5,485)	(6,762)
At 31 December 2022	37,642	164,887	202,529

### Deferred tax assets

	Impairment of financial assets HK\$'000	Provision and accruals HK\$'000	Total HK\$'000
At 1 January 2021	52	5,110	5,162
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10)	43	(1,313)	(1,270)
Exchange realignment	1	70	71
At 31 December 2021 and 1 January 2022	96	3,867	3,963
Deferred tax charged to the statement of profit or loss during the year (note 10)	–	(60)	(60)
Exchange realignment	(4)	(120)	(124)
At 31 December 2022	92	3,687	3,779

# Notes to Financial Statements

31 December 2022

## 26. Deferred Tax (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Net deferred tax liabilities recognised in the consolidated statement of financial position	<b>198,750</b>	205,273

The Group has tax losses arising in Hong Kong and Vietnam of HK\$737,399,000 (2021: HK\$705,989,000) and HK\$14,718,000 (2021: HK\$14,006,000), respectively, that are available indefinitely and for a maximum of five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that these subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$17,909,000 at 31 December 2022 (2021: HK\$7,856,000).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

## 27. Share Capital

	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
Issued and fully paid:		
502,557,418 (2021: 502,557,418) ordinary shares of HK\$0.01 each	<b>5,026</b>	5,026

A summary of movements in the Company's share capital is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital HK\$'000</b>
At 1 January 2021, 31 December 2021, 1 January 2022, and 31 December 2022	<b>502,557,418</b>	<b>5,026</b>

## 28. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any director (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint ventures business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Scheme became effective on 29 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

# Notes to Financial Statements

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## 28. Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, no share options were granted under the Scheme.

## 29. Reserves

### (a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 50 of these financial statements.

### (b) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Luks Industrial Company Limited pursuant to the group reorganisation and the consolidated net asset value of Luks Industrial Company Limited so acquired. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain prescribed circumstances.

### (c) Capital redemption reserve

The capital redemption reserve represents an amount equivalent to the par value of the ordinary shares cancelled as a result of the share repurchase.

### (d) Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

### 30. Notes To The Consolidated Statement Of Cash Flows

(a) Changes in liabilities arising from financing activities

	2022		Total HK\$'000
	Interest-bearing bank loans HK\$'000	Lease liabilities HK\$'000	
At 1 January 2022	123,545	19,408	142,953
Changes from financing cash flows	(56,153)	(555)	(56,708)
Interest expense	–	1,786	1,786
Interest paid classified as operating cash flows	–	(1,786)	(1,786)
Foreign exchange movement	–	(575)	(575)
At 31 December 2022	67,392	18,278	85,670

  

	2021		Total HK\$'000
	Interest-bearing bank loans HK\$'000	Lease liabilities HK\$'000	
At 1 January 2021	8,750	19,225	27,975
Changes from financing cash flows	114,795	(576)	114,219
Additions	–	741	741
Interest expense	–	2,113	2,113
Interest paid classified as operating cash flows	–	(2,113)	(2,113)
Foreign exchange movement	–	18	18
At 31 December 2021	123,545	19,408	142,953

# Notes to Financial Statements

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## 30. Notes To The Consolidated Statement Of Cash Flows (continued)

### (b) Cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 HK\$'000	2021 HK\$'000
Within operating activities	1,786	2,113
Within financing activities	555	576
	<b>2,341</b>	2,689

## 31. Commitments

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

	2022 HK\$'000	2021 HK\$'000
Contracted, but not provided for: Property, plant and equipment	41,796	38,784

## 32. Related Party Transactions

Compensation of key management personnel of the Group:

	2022 HK\$'000	2021 HK\$'000
Short term employee benefits	9,704	9,397
Post-employment benefits	72	72
Total compensation paid to key management personnel	<b>9,776</b>	9,469

Further details of directors' emoluments are included in note 8 to the financial statements.

### 33. Financial Instruments by Category

Except for financial assets at fair value through profit or loss, which were measured at fair value, the financial assets and liabilities of the Group as at 31 December 2022 and 2021 were loans and receivables and financial liabilities stated at amortised cost, respectively.

### 34. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts of the Group's financial instruments, other than financial assets at fair value through profit or loss, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank and other borrowings and deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 was assessed to be insignificant.

### 35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant interest rate risk should the need arise.

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## 35. Financial Risk Management Objectives and Policies (continued)

### Interest rate risk (continued)

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	<b>Increase/ (decrease) in basis points</b>	<b>Increase/ (decrease) in profit before tax HK\$'000</b>
<b>2022</b>		
Hong Kong dollar	<b>100</b>	<b>(674)</b>
Hong Kong dollar	<b>(100)</b>	<b>674</b>
<b>2021</b>		
Hong Kong dollar	100	(1,235)
Hong Kong dollar	(100)	1,235

### Foreign currency risk

The Group is exposed to the risk of fluctuations in exchange rates for its investments in Vietnam. Since the VND is a restricted currency, there are no hedging instruments available. In order to minimise the Group's exposure to the foreign currency risk, the Group makes use of its surplus cash flows derived from its cement plant to repay loans denominated in United States dollars ("US\$"), and in particular, the loan due to the parent company. In addition, most of the expenditures of the cement plant are in the VND. Management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency risk should the need arise.

## 35. Financial Risk Management Objectives and Policies (continued)

### Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the VND exchange rate, with all other variables held constant, of the Group's profit before tax (arising from VND denominated financial instruments).

	Increase/ (decrease) in VND rate %	Increase/ (decrease) in profit before tax HK\$'000
<b>2022</b>		
If US\$ weakens against the VND	1	627
If US\$ strengthens against the VND	(1)	(627)
<b>2021</b>		
If US\$ weakens against the VND	1	634
If US\$ strengthens against the VND	(1)	(634)

### Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

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## 35. Financial Risk Management Objectives and Policies (continued)

### Maximum exposure and year-end staging (continued)

As at 31 December 2022

	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	-	-	-	38,590	38,590
Financial assets included in prepayments, other receivables and other assets					
– Normal**	27,491	-	-	-	27,491
Cash and cash equivalents					
– Not yet past due	444,409	-	-	-	444,409
	<b>471,900</b>	<b>-</b>	<b>-</b>	<b>38,590</b>	<b>510,490</b>

As at 31 December 2021

	12-month	Lifetime ECLs			Total
	ECLs	Stage 1	Stage 2	Stage 3	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables*	-	-	-	38,417	38,417
Financial assets included in prepayments, other receivables and other assets					
– Normal**	44,409	-	-	-	44,409
Cash and cash equivalents					
– Not yet past due	439,596	-	-	-	439,596
	<b>484,005</b>	<b>-</b>	<b>-</b>	<b>38,417</b>	<b>522,422</b>

## 35. Financial Risk Management Objectives and Policies (continued)

### Maximum exposure and year-end staging (continued)

- \* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.
- \*\* The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

### Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group’s financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	Within one year or on demand HK\$’000	In the second year HK\$’000	In the third to fifth years, inclusive HK\$’000	Beyond five years HK\$’000	Total HK\$’000
<b>As at 31 December 2022</b>					
Trade payables	8,778	–	–	–	8,778
Financial liabilities included in other payables and accruals	52,971	22,406	6,425	9,757	91,559
Interest-bearing bank and other borrowings (note)	106,965	–	–	–	106,965
	<b>168,714</b>	<b>22,406</b>	<b>6,425</b>	<b>9,757</b>	<b>207,302</b>

# Notes to Financial Statements

31 December 2022

## 35. Financial Risk Management Objectives and Policies (continued)

### Liquidity risk (continued)

	Within one year or on demand HK\$'000	In the second year HK\$'000	In the third to fifth years, inclusive HK\$'000	Beyond five years HK\$'000	Total HK\$'000
As at 31 December 2021					
Trade payables	18,461	–	–	–	18,461
Financial liabilities included in other payables and accruals	49,864	15,563	5,756	8,003	79,186
Interest-bearing bank and other borrowings (note)	138,213	–	–	–	138,213
	206,538	15,563	5,756	8,003	235,860

Note: Included in interest-bearing bank and other borrowings are certain term loans with an aggregate principal amount of HK\$67,392,000 (2021: HK\$123,545,000). The loan agreements of these term loans contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time, and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

	2022 HK\$'000	2021 HK\$'000
Within one year or on demand	8,774	58,151
In the second year	8,492	6,053
In the third to fifth years, inclusive	24,632	21,614
Beyond five years	65,067	52,395
	106,965	138,213

## 35. Financial Risk Management Objectives and Policies (continued)

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. The Group aims to maintain a healthy and stable net gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

	Notes	2022 HK\$'000	2021 HK\$'000
Interest-bearing bank and other borrowings	24	<b>67,392</b>	123,545
Less: Cash and cash equivalents	21	<b>(444,409)</b>	(439,596)
Net cash		<b>(377,017)</b>	(316,051)
Total equity		<b>2,509,679</b>	2,532,635
Gearing ratio		<b>N/A</b>	N/A

# Notes to Financial Statements

31 December 2022

## 36. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 HK\$'000	2021 HK\$'000
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	60	80
Investments in subsidiaries	554,947	684,989
Total non-current assets	555,007	685,069
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	102,378	14,286
Prepayments, other receivables and other assets	121	–
Total current assets	102,499	14,286
<b>CURRENT LIABILITIES</b>		
Other payables and accruals	5,058	4,278
Total current liabilities	5,058	4,278
<b>NET CURRENT ASSETS</b>	<b>97,441</b>	10,008
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>652,448</b>	695,077
<b>NON-CURRENT LIABILITIES</b>		
Provisions	2,233	2,267
Total non-current liabilities	2,233	2,267
Net assets	650,215	692,810
<b>EQUITY</b>		
Issued capital	5,026	5,026
Reserves (note)	645,189	687,784
Total equity	650,215	692,810

## 36. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

	Notes	Capital Contributed surplus HK\$'000	redemption reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2021		751,710	730	(12,374)	740,066
Total comprehensive loss for the year		–	–	(22,128)	(22,128)
2020 final dividend	11	(15,077)	–	–	(15,077)
2021 interim dividend	11	(15,077)	–	–	(15,077)
At 31 December 2021 and 1 January 2022		721,556	730	(34,502)	687,784
Total comprehensive loss for the year		–	–	(17,466)	(17,466)
2021 final dividend	11	(15,077)	–	–	(15,077)
2022 interim dividend	11	(10,052)	–	–	(10,052)
At 31 December 2022		696,427	730	(51,968)	645,189

## 37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 22 March 2023.

# Particulars of Investment Properties

31 December 2022

Location	Use	Tenure	Attributable interest of the Group
Store Rooms 4, 5 and 6 on Upper Basement Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
Flat A2, 3/F., Flat B, 4/F., Flat A2, 6/F., Flat C, 7/F. and Flats A1 & A2, 9/F., Cheong Wah Factory Building, No. 39-41 Sheung Heung Road and No. 60 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Long-term leases	100%
Workshops E2 & F2, 7/F., Hang Fung Industrial Building, Phase II, No. 2G Hok Yuen Street East, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Medium-term leases	100%
Retail portion on G/F. and 2/F., No. 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong	Retail shops for rental	Medium-term leases	100%
2nd and 3rd Floors of the Dormitory, 2nd of 05A, Area 33, Bao An Area, Shenzhen, PRC	Residential building for rental	Short-term leases	100%
Saigon Trade Centre, No. 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam	Commercial building for rental	Medium-term leases	100%

# Particulars of Property for Development

31 December 2022

Location	Use	Attributable	
		Site area (square metre)	interest of the Group
Thanh Phat Apartment Area, 394 Ho Hoc Lam Street, An Lac Ward, Binh Tan District, Ho Chi Minh City, Vietnam	Residential	22,221	85%
Nos. 339-345, Shanghai Street, Kowloon, Hong Kong	Residential and commercial	220	100%

## Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

	Year ended 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
<b>RESULTS</b>					
PROFIT FOR THE YEAR	<b>48,498</b>	84,592	60,191	121,480	143,420
Attributable to:					
Owners of the parent	<b>53,494</b>	84,669	61,511	122,280	144,128
Non-controlling interests	<b>(4,996)</b>	(77)	(1,320)	(800)	(708)
	<b>48,498</b>	84,592	60,191	121,480	143,420

### Assets, Liabilities and Non-Controlling Interests

	As at 31 December				
	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000
TOTAL ASSETS	<b>2,938,384</b>	3,039,028	2,837,529	2,828,376	2,818,729
TOTAL LIABILITIES	<b>(428,705)</b>	(506,393)	(381,386)	(405,906)	(448,077)
NON-CONTROLLING INTERESTS	<b>22,326</b>	22,456	28,605	28,288	28,309
	<b>2,532,005</b>	2,555,091	2,484,748	2,450,758	2,398,961