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LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020. The interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	Notes	HK\$'000	HK\$'000
REVENUE	4	277,665	281,440
Cost of sales		<u>(193,575)</u>	(203,501)
Gross profit		84,090	77,939
Other income and gains, net		7,892	3,884
Selling and distribution expenses		(3,989)	(6,514)
Administrative expenses		(29,565)	(30,255)
Other expenses		-	(2,469)
Finance costs	5	<u>(866)</u>	(831)
PROFIT BEFORE TAX	6	57,562	41,754
Income tax expense	7	<u>(15,453)</u>	(12,715)
PROFIT FOR THE PERIOD		42,109	29,039
Attributable to:			
Owners of the parent		42,488	29,939
Non-controlling interests		<u>(379)</u>	(900)
		42,109	29,039
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK8.5 cents	HK5.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>42,109</u>	<u>29,039</u>
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>7,351</u>	<u>(10,747)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>7,351</u>	<u>(10,747)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>49,460</u>	<u>18,292</u>
Attributable to:		
Owners of the parent	<u>49,450</u>	<u>18,410</u>
Non-controlling interests	<u>10</u>	<u>(118)</u>
	<u>49,460</u>	<u>18,292</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		1,036,583	1,067,425
Investment properties		1,187,368	1,181,820
Properties for development		27,024	27,459
Prepayments and other assets		48,018	1,935
Total non-current assets		2,298,993	2,278,639
CURRENT ASSETS			
Inventories		62,076	58,276
Trade receivables	10	51,425	36,824
Prepayments, other receivables and other assets		9,687	8,981
Financial assets at fair value through profit or loss		14,871	57
Cash and cash equivalents		480,226	454,752
Total current assets		618,285	558,890
CURRENT LIABILITIES			
Trade payables	11	12,435	9,228
Other payables and accruals		101,274	84,800
Interest-bearing bank and other borrowings		35,000	8,750
Tax payable		26,375	28,710
Total current liabilities		175,084	131,488
NET CURRENT ASSETS		443,201	427,402
TOTAL ASSETS LESS CURRENT LIABILITIES		2,742,194	2,706,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*30 June 2021*

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,742,194	2,706,041
NON-CURRENT LIABILITIES		
Other payables	43,014	40,372
Provisions	3,262	3,058
Deferred tax liabilities	205,392	206,468
Total non-current liabilities	251,668	249,898
Net assets	2,490,526	2,456,143
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,026	5,026
Reserves	2,514,095	2,479,722
	2,519,121	2,484,748
Non-controlling interests	(28,595)	(28,605)
Total equity	2,490,526	2,456,143

Notes:

1. BASIS OF PREPARATION

The Company is a limited liability company incorporated in Bermuda and whose shares are publicly traded on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activities of the Group are described in note 3 below.

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

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and the impact of the changes are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and the amendments did not have any impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

The Group’s operating business are structured and managed separately according to the nature of their operations and the products they provide. Each of the Group’s business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. The following table presents revenue and results for the Group’s operating segments for the six months ended 30 June 2021 and 2020.

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	175,567	187,563	76,970	74,724	18,822	13,599	-	-	6,306	5,554	271,665	281,440
Other income and gains, net	1,245	40	292	80	-	-	23	466	(7)	-	1,553	586
	176,812	187,603	77,262	74,804	18,822	13,599	23	466	6,299	5,554	279,218	282,026
Segment results	10,037	5,458	64,434	61,597	(13,065)	(15,714)	(709)	(682)	(9,474)	(12,203)	51,223	38,456
<i>Reconciliation:</i>												
Interest income											6,339	3,298
Profit before tax											57,562	41,754
Income tax credit / (expense)	(1,261)	(144)	(14,192)	(12,619)	-	-	-	-	-	48	(15,453)	(12,715)
Profit for the period											42,109	29,039

4. REVENUE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sale of cement	175,567	187,563
Sale of electronic products	6,306	5,554
Rendering of property management and related services	17,453	17,772
Hotel operation income	18,822	13,599
Revenue from other sources		
Gross rental income	59,517	56,952
	277,665	281,440

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2021

Segments	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	175,567	-	-	-	175,567
Sale of electronic products	-	-	-	6,306	6,306
Property management and related services	-	17,453	-	-	17,453
Hotel and related services	-	-	18,822	-	18,822
Total revenue from contracts with customers	175,567	17,453	18,822	6,306	218,148
Geographical markets					
Vietnam	175,567	17,453	-	-	193,020
Hong Kong	-	-	18,822	6,306	25,128
Total revenue from contracts with customers	175,567	17,453	18,822	6,306	218,148
Timing of revenue recognition					
Goods transferred at a point in time	175,567	-	1,298	6,306	183,171
Services transferred over time	-	17,453	17,524	-	34,977
Total revenue from contracts with customers	175,567	17,453	18,822	6,306	218,148

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2020

Segments	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	187,563	-	-	-	187,563
Sale of electronic products	-	-	-	5,554	5,554
Property management and related services	-	17,772	-	-	17,772
Hotel and related services	-	-	13,599	-	13,599
Total revenue from contracts with customers	<u>187,563</u>	<u>17,772</u>	<u>13,599</u>	<u>5,554</u>	<u>224,488</u>
Geographical markets					
Vietnam	187,563	17,772	-	-	205,335
Hong Kong	-	-	13,599	5,554	19,153
Total revenue from contracts with customers	<u>187,563</u>	<u>17,772</u>	<u>13,599</u>	<u>5,554</u>	<u>224,488</u>
Timing of revenue recognition					
Goods transferred at a point in time	187,563	-	1,298	5,554	194,415
Services transferred over time	-	17,772	12,301	-	30,073
Total revenue from contracts with customers	<u>187,563</u>	<u>17,772</u>	<u>13,599</u>	<u>5,554</u>	<u>224,488</u>

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	99	245
Interest on lease liabilities	767	586
	<u>866</u>	<u>831</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	162,252	173,048
Cost of services rendered	31,323	30,453
Depreciation of owned assets	35,376	33,114
Depreciation of right-of-use assets	1,976	2,477
Foreign exchange (gain)/loss	(791)	2,404

7. INCOME TAX

No provision for Hong Kong profits tax has been made (six months ended 30 June 2020: Nil) on the estimated assessable profits arising in Hong Kong during the period. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current charge for the period		
Elsewhere	15,856	13,140
Underprovision in prior years		
Elsewhere	1,513	1,186
Deferred	(1,916)	(1,611)
Total tax charge for the period	15,453	12,715

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

The calculation of basic earnings per share amounts is based on profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 502,557,418 (six months ended 30 June 2020: 505,297,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2021 and 2020 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. DIVIDEND

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim – HK3 cents (six months ended 30 June 2020: HK2 cents) per ordinary share	15,077	10,106

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The Group allows an average credit period of 30 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:

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
0 to 30 days	37,927	23,180
31 to 60 days	7,035	3,324
61 to 90 days	4,179	4,471
91 to 120 days	221	1,558
Over 120 days	2,063	4,291
	51,425	36,824

11. TRADE PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
0 to 30 days	12,010	9,023
Over 120 days	425	205
	12,435	9,228

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In 2021, due to the continued impact of the Covid-19 pandemic, the global economy remained sluggish, especially in tourism-related industries. Different countries have different policies and measurements in controlling the epidemic of their own countries, which thus resulting in different degrees of impact on each countries' economies. The main businesses of the Group are located in Vietnam, Hong Kong and the mainland China respectively. Fortunately, the governments of each of the three places have been properly handling the epidemics, and thus the epidemics were largely under control, without seeing any large-scale outbreak in each of these places. Consequently, the economic development of the three places was not severely impacted and economic recovery was notable during the period, which thus benefiting the Group's operations in general. In addition, during the first half of 2021, various countries also began to implement large-scale vaccination programs, resulted in the epidemic situations being alleviated, especially in advanced countries such as Europe and the United States. While the pandemic showed sign of being under control, a strong recovery momentum was seen in the global economy during the second quarter of the year.

Since the second quarter of 2021, the Group's cement business in Vietnam also began to show recovery. Infrastructure projects and construction projects that had been postponed by the epidemics were seen activated, resulting in particular strong demand for cement in the market. On the other hand, the rental situation of Saigon Trade Center in Vietnam was steady in the first half of 2021. Although a decrease in the occupancy rate was recorded, an increase in the rental rate has sufficiently compensated for the decline in the overall rental income brought by the shrinking occupancy rate. The Group's "Pentahotel Hong Kong, Tuen Mun" had been hit hardest by the devastating tourism industry in Hong Kong in last year. In the first half of 2021, the hotel business also began to stabilize. The rooms occupancy rate rose from a low of about 50% last year to nearly 70% in the first half of this year. The overall operating income and profit also rebounded compared with the same period last year. The profit before depreciation turned from a loss recorded last year to a slight profit this year. All in all, the performance of the Group's various businesses in the first half of 2021 were better than that of the same period last year.

In the first half of 2021, Vietnam's economy performed satisfactorily, with a GDP growth rate of 5.64%, one of the world's best economic performance countries in the world during the period. Moreover, the inflation rate and the Vietnamese currency were relatively stable. Under the situation of steady economic growth, the Group's cement business and the leasing performance of the Saigon Trade Center were both doing well. However, starting from late April, affected by the infiltration of the Delta variant virus, a new round of epidemic began to break out in Vietnam, which was more severe than the previous epidemics and spreading rapidly as well. Vietnam's government has implemented various measures of isolation and crowd gathering restrictions in response to the epidemic. As the epidemic tends to spread throughout the country, it may bring adverse impact and uncertainty to Vietnam's economy in the second half of the year. As such, the Group's cement business and the rental situation of the Saigon Trade Center may also be worsening in the second half of this year. As the development of the epidemic is still erratic and uncertain, its actual impact on the business of the Group remains to be seen.

For the six months ended June 30, 2021, the Group's turnover was HK\$277,665,000, a decrease of approximately 1.3% compared to the HK\$281,440,000 recorded in the same period last year. The Group's turnover mainly comes from the cement business, the property investment business and the hotel business. The turnover of the cement business was HK\$175,567,000, a decrease of approximately 6.4% compared with the same period last year. The turnover of the property investment business was HK\$76,970,000, an increase of approximately 3% compared to the same period last year. The hotel business recorded a turnover of HK\$18,822,000, an increase of approximately 38.4% compared to the same period last year.

In the first half of 2021, the Group recorded an unaudited profit attributable to owners of the parent company of HK\$42,488,000, an increase of approximately 41.9% compared to that of HK\$29,939,000 in the same period last year. The basic earnings per share for the first six months of 2021 was HK8.5 cents (the first six months of 2020: HK5.9 cents).

Cement business

In the first quarter of 2021, being affected by the Covid-19 pandemic and severe weather, most of the construction and infrastructure projects in central Vietnam were postponed, resulting in a decrease in local cement demand in the market. However, while the epidemic was being under control during the second quarter of this year, domestic usages, together with various construction projects started to pick up, leading to an increase in market demand for cement consumption. The cement sales of the Group's cement plant also recorded a significant rebound since the second quarter of this year.

For the six months ended June 30, 2021, the cement and clinker sales volume of the cement plant was approximately 524,000 tons, a decrease of approximately 4.7% from the 550,000 tons in the same period last year. The after-tax profit of the cement business for the first six months was HK\$8,776,000, an increase of approximately 65.1% compared to HK\$5,314,000 in the same period last year.

Although the Group's sales volume of the cement and clinker decreased compared to the same period last year, the profits improved. It was mainly attributable to the completion of the D-production line transformation of the Group's cement plant at the end of 2020. The transformation has significantly improved the production efficiency and effectiveness of the main cement production line, resulting in a decrease in overall production cost. And as a result, the gross profit ratio of cement production has risen accordingly. The decrease in production cost mainly comes from the saving of electricity consumption of per ton cement production and also a reduction of the coal consumption rate. After the transformation of the production line, the loss of consumable parts, such as refractory bricks in the production process are also reduced. And an improvement in the quality of clinker also produced indirectly leads to a reduction of the production cost of per ton cement. Besides, the cement sales of the Group's cement plant during the period were focused mainly on the retail and wholesale sectors. Compared with the cement sales directly to construction projects, the gross profit margin was comparatively higher, which also reduced the transportation expenses of the Group's cement plant during the period. As a whole, the profit generated from the Group's cement operations for the first half of 2021 exceeded that of the same period last year.

Looking forward to the second half of the year, due to the impact of the Delta variant virus appearing in late April this year, a new round of serious epidemics has broken out across Vietnam, spreading rapidly and broadly. The Vietnamese government has implemented stricter control and isolation measures in fighting for the epidemic, which is a blow to the ongoing recovery of the construction sector. It is estimated that the new wave of the epidemic may have an adverse impact on the sales of the Group's cement plant in the second half of the year. However, as the development of the epidemic is still erratic and uncertain, the impact is still difficult to estimate for the time being.

Property investment business

In the first half of 2021, affected by the pandemic, the Vietnamese government still adopted strict border control measures for entering Vietnam, which thus resulted in the international economic and commercial activities of Vietnam is largely restricted. New foreign direct investments continued to shrink this year, recording a decrease of about 3% compared with the same period last year. In the absence of new foreign investments, the market demand for office spaces was relatively weak. The demand came mainly from technology and insurance companies during the period, and most of them came from the expansion of local businesses. Newly established foreign companies in Vietnam tended to adopt a wait-and-see attitude. During the period, certain newly completed office buildings were launched on the market, increasing the supply of the market. With market demand persistently weak, the new supply put pressure on the market occupancy, causing the market office occupancy rate to decline. While most of the newly completed office buildings were located in non-central commercial areas, the average rent of office buildings located in central commercial areas was still able to achieve a slight increase in the first half of 2021.

The Group's Saigon Trade Center, located in the central business district of Ho Chi Minh City, performed stably during the period. As at June 30, 2021, the occupancy rate of Saigon Trade Center was approximately 77%, which recorded a decrease of 3 percentage points in its occupancy, compared with 80% as at December 31, 2020. The average rent recorded a slight increase. Compared with the same period last year, the overall rental income of the Saigon Trade Center recorded an increase of about 3%.

Looking forward to the second half of the year, as a new round of epidemic has broken out in Ho Chi Minh City in late April, the government has implemented strict isolation and social distancing restrictions. It has therefore brought a severe impact on the commercial activities of Ho Chi Minh City. The uncertainty to the economy will also lead to a decline in the absorption of the office buildings. Therefore, if the epidemic continues, it is estimated to put pressure on the occupancy rate and average rent of the Group's Saigon Trade Center in the second half of the year. On the other hand, due to the outbreak of the epidemic, it is expected that the development of office buildings under construction in the market will be slowed down, which will reduce the new supply of office spaces in the market and thus providing a support to the Ho Chi Minh office market in the short term.

The overall rental income of the Group's rental properties in Hong Kong and China was stable during the period.

Hotel business

As the Covid-19 pandemic still ravaged the world in the first half of 2021, global cross-border travelling came to a standstill. In addition, since most of the borders between Hong Kong and the mainland China were still adopting strict restrictions on entry and exit, Hong Kong's tourism industry was still at the bottom. According to the Hong Kong Tourism Board statistics, the number of tourists visiting Hong Kong in the first half of 2021 was only about 34,000, which is a significant decrease of 99% compared with the approximately 3.52 million recorded in the same period of 2020. If compared with the approximately 34.8 million recorded in the same period of 2019 before the outbreak, the drop recorded was even 99.9%.

Although the business environment of Hong Kong's tourism industry was still severe, the performance of the Group's "Pentahotel Hong Kong, Tuen Mun" in Hong Kong in the first half of 2021 was not too bad. In the absence of tourists visiting Hong Kong, the hotel successfully attracted local residents for medium and long-term accommodation. These include local residents who use the hotel as vacations and whose homes need to be renovated, as well as corporate customers and medical staff in nearby hospitals, which in aggregate accounted for roughly 45% of the hotel's overall guest rooms. In addition, while the epidemic in Hong Kong has been largely under control, people dining out increased, bringing improved utilisation and turnover for the hotel's restaurant. The booking for banquet arrangements also increased during the period.

The average occupancy rate of the Group's hotel in the first six months of 2021 was 69.3%, an increase of about 30% compared with 53.5% in the same period last year. The average room rate price was stable when comparing to the same period last year.

For the six months ended June 30, 2021, the hotel business contributed HK\$18,822,000 to the Group's turnover, an increase of 38.4% compared to the same period last year. A profit of HK\$767,000 was recorded for the EBITA during the period, whereas a loss of HK\$1,881,000 was recorded in the same period last year. After deducting depreciation, the hotel business recorded a loss of HK\$13,065,000, compared with a loss of HK\$15,714,000 last year.

Looking forward to the second half of the year, affected by the Delta variant virus, the epidemic situation in the mainland China has been worsened recently, which may lead to a further postponement of the schedule on the easing of inter-border travelling between the mainland China and Hong Kong, and also add to the uncertainties to the operating environment of the Group's hotel in the second half of 2021.

Property development business

The Group successfully obtained the construction permit for the "Hue Plaza" project in the first quarter of 2021, and the construction of the "Hue Plaza" project in Hue, Vietnam has been commenced during the period. As of the end of 2021 first half, the "Hue Plaza" has completed the pilings and foundation consolidation works smoothly and on schedule. The basement excavation works have also been carried out accordingly. It is estimated that the entire basement construction works will be completed before the end of this year, being managed to avoid the rainy season in Hue Province. The internal design process has also been kick-started in the first quarter of this year. It is expected that the "Hue Plaza" project will be completed in the third quarter of next year.

Affected by the new wave of the outbreak of the epidemic in Vietnam since late April this year, the construction progress of the "Hue Plaza" may be delayed as a result. At present, it depends on the development of the epidemic, and the Vietnamese government's lockdown measures and isolation policies to determine the impact of the epidemic on the construction progress of the project.

On the other hand, the Group acquired a commercial and residential mixed property located in Shanghai Street, Yaumatei, Kowloon of Hong Kong at a consideration of HK\$183.8 million in June this year. The property includes approximately 2,000 square feet of commercial shops and approximately 16,000 square feet of residential areas, and is currently fully leased out. The transaction of the property will be completed in September this year. The property is located in the heart of Kowloon, close to the Yaumatei MTR station, which is of excellence redevelopment value. The Group initially plans to rebuild the property into a commercial and residential mixed property. After the redevelopment, the floor area can be increased to 21,600 square feet. The Management believes that the project will bring contribution to the Group's future earnings and cash flow. The Group will finance the project partially with its internal cash and partially with banking facilities.

Dividends

The board of directors resolved to distribute an interim dividend of HK 3 cents per share to shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2021 amounted to HK\$480,226,000 (31 December 2020: HK\$454,752,000). The Group's total bank and other borrowings amounted to HK\$35,000,000 (31 December 2020: HK\$8,750,000), of which all (31 December 2020: all) was repayable within 1 year or on demand clause.

All of the Group's borrowings were denominated in HK\$. Of the total borrowings, there was no amount at fixed interest rates.

Significant investments held

As at 30 June 2021, the Group has no significant investment held.

Details of charges

As at 30 June 2021, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK\$528,687,000 and certain investment properties with fair value of HK\$135,000,000 were pledged to secure the above bank loans and general banking facilities granted to the Group.

Exposure to fluctuations in exchange rates and related hedges

The Group's investments in Vietnam are subject to the foreign exchange fluctuation, and especially that from the risk of devaluation of VND. As VND is a restricted currency, hedging instruments are limited in the market or the hedging is not cost efficient to do so. The relatively high interest deviation between VND and HKD is also a barrier for setting up an effective hedging for the VND devaluation. The exchange rate of VND to HKD recorded an appreciation of 0.48% as at 30 June 2021 when compared to the rate as at 31 December 2020. The Group recorded an exchange gain of HK\$791,000 during the period. There was no significant change in the strategies used to reduce foreign exchange risk as described in the annual report of the Group as at 31 December 2020.

Details of capital commitments

As at 30 June 2021, the Group's capital commitments amounted to HK\$170,996,000 (31 December 2020: HK\$4,672,000).

Details of contingent liabilities

As at 30 June 2021, the Group had no significant contingent liabilities (31 December 2020: Nil).

Employees and Remuneration Policy

As at 30 June 2021, the Group had approximately 1,100 employees. The percentage of staff working in Hong Kong and Vietnam is roughly 10% and 90% respectively. The total staff cost (including directors' remuneration) was approximately HK\$29,576,000 for the period. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Tuesday, 21 September 2021 to Thursday, 23 September 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 20 September 2021. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Thursday, 23 September 2021 on or before Friday, 8 October 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the code provisions (the "Code") as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the unaudited interim condensed consolidated financial statements, except for the followings:

- (i) The Company has not separated the roles of the Chairman of the Board and the Chief Executive Officer of the Group as required under code provision A.2.1 of the Code. During the accounting period of the financial statements, the roles of Chairman and Chief Executive Officer of the Company were performed by Madam Cheng Cheung. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.
- (ii) In respect of code provision A.6.7, Mr. Lam Chi Kuen attended the annual general meeting of the Company held on 11 June 2021 and Mr. Liang Fang and Mr. Liu Li Yuan did not attend the annual general meeting due to their other business commitments.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Liang Fang (Chairman), Mr. Liu Li Yuan and Mr. Lam Chi Kuen. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed and confirmed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021.

CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the period ended 30 June 2021. 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.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 23 August 2021

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

* For identification purpose only