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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 2023

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 2023, together with the comparative figures for the corresponding period in 2022. 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 2023

	Notes	Six months ended 30 June 2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
REVENUE	4	222,264	266,307
Cost of sales		(157,743)	(199,702)
Gross profit		64,521	66,605
Other income and gains, net		14,614	9,013
Selling and distribution expenses		(2,527)	(3,745)
Administrative expenses		(31,554)	(30,978)
Other expenses		(1,007)	(2,923)
Finance costs	5	(2,454)	(1,643)
PROFIT BEFORE TAX	6	41,593	36,329
Income tax expense	7	(11,998)	(12,812)
PROFIT FOR THE PERIOD		29,595	23,517
Attributable to:			
Owners of the parent		29,729	25,848
Non-controlling interests		(134)	(2,331)
		29,595	23,517
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK5.9 cents	HK5.1 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>29,595</u>	<u>23,517</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>4,257</u>	<u>(16,343)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>4,257</u>	<u>(16,343)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>33,852</u>	<u>7,174</u>
Attributable to:		
Owners of the parent	<u>34,121</u>	<u>7,050</u>
Non-controlling interests	<u>(269)</u>	<u>124</u>
	<u>33,852</u>	<u>7,174</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2023

		30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		928,557	945,105
Investment properties		1,200,805	1,196,473
Properties for development		207,209	207,653
Prepayments, other receivables and other assets		21,065	21,891
Total non-current assets		<u>2,357,636</u>	<u>2,371,122</u>
CURRENT ASSETS			
Inventories		71,634	70,850
Trade receivables	10	38,573	37,348
Prepayments, other receivables and other assets		8,919	9,535
Financial assets at fair value through profit or loss		5,110	5,120
Cash and cash equivalents		496,167	444,409
Total current assets		<u>620,403</u>	<u>567,262</u>
CURRENT LIABILITIES			
Trade payables	11	21,435	8,778
Other payables and accruals		87,391	85,386
Interest-bearing bank and other borrowings		64,943	67,392
Tax payable		29,828	28,323
Total current liabilities		<u>203,597</u>	<u>189,879</u>
NET CURRENT ASSETS		<u>416,806</u>	<u>377,383</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,774,442</u>	<u>2,748,505</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*30 June 2023*

	30 June 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,774,442	2,748,505
NON-CURRENT LIABILITIES		
Other payables	40,078	36,871
Provisions	3,099	3,205
Deferred tax liabilities	197,786	198,750
Total non-current liabilities	240,963	238,826
Net assets	2,533,479	2,509,679
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,026	5,026
Reserves	2,551,048	2,526,979
	2,556,074	2,532,005
Non-controlling interests	(22,595)	(22,326)
Total equity	2,533,479	2,509,679

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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

HKFRS 17	<i>Insurance Contracts</i>
Amendments to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

- (b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 did not have any impact on the financial position or performance of the Group.
- (d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. 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:

- (a) the cement products segment represents the Group's manufacture and sale of cement products for use in the construction industry;
- (b) 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;
- (c) the hotel operation segment represents the Group's hotel business;
- (d) the property development segment represents the Group's development and sale of properties; and
- (e) 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.

Information regarding these reportable segments is presented below.

Six months ended 30 June	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Segment revenue:												
Sales to external customers	108,809	164,476	76,163	72,083	29,059	22,719	-	-	8,233	7,029	222,264	266,307
Other income and gains, net	448	10	1,155	324	-	-	3,674	3,474	458	47	5,735	3,855
	<u>109,257</u>	<u>164,486</u>	<u>77,318</u>	<u>72,407</u>	<u>29,059</u>	<u>22,719</u>	<u>3,674</u>	<u>3,474</u>	<u>8,691</u>	<u>7,076</u>	<u>227,999</u>	<u>270,162</u>
Segment results	(16,144)	(8,287)	60,307	55,105	(3,807)	(7,109)	2,783	2,532	(10,425)	(11,070)	32,714	31,171
<i>Reconciliation:</i>												
Interest income											8,879	5,158
Profit before tax											<u>41,593</u>	<u>36,329</u>
Income tax credit / (expense)	1,906	1,806	(13,904)	(14,618)	-	-	-	-	-	-	<u>(11,998)</u>	<u>(12,812)</u>
Profit for the period											<u><u>29,595</u></u>	<u><u>23,517</u></u>

4. REVENUE

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

	Six months ended 30 June	
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000
Revenue from contracts with customers		
Sale of cement	108,809	164,476
Sale of electronic products	8,233	7,029
Rendering of property management and related services	16,724	16,160
Hotel operation income	29,059	22,719
Revenue from other sources		
Gross rental income	59,439	55,923
	<u>222,264</u>	<u>266,307</u>

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

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	108,809	-	-	-	108,809
Sale of electronic products	-	-	-	8,233	8,233
Property management and related services	-	16,724	-	-	16,724
Hotel and related services	-	-	29,059	-	29,059
Total revenue from contracts with customers	108,809	16,724	29,059	8,233	162,825
Geographical markets					
Vietnam	108,809	16,724	-	-	125,533
Hong Kong	-	-	29,059	8,233	37,292
Total revenue from contracts with customers	108,809	16,724	29,059	8,233	162,825
Timing of revenue recognition					
Goods transferred at a point in time	108,809	-	1,308	8,233	118,350
Services transferred over time	-	16,724	27,751	-	44,475
Total revenue from contracts with customers	108,809	16,724	29,059	8,233	162,825

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2022

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	164,476	-	-	-	164,476
Sale of electronic products	-	-	-	7,029	7,029
Property management and related services	-	16,160	-	-	16,160
Hotel and related services	-	-	22,719	-	22,719
Total revenue from contracts with customers	164,476	16,160	22,719	7,029	210,384
Geographical markets					
Vietnam	164,476	16,160	-	-	180,636
Hong Kong	-	-	22,719	7,029	29,748
Total revenue from contracts with customers	164,476	16,160	22,719	7,029	210,384
Timing of revenue recognition					
Goods transferred at a point in time	164,476	-	1,245	7,029	172,750
Services transferred over time	-	16,160	21,474	-	37,634
Total revenue from contracts with customers	164,476	16,160	22,719	7,029	210,384

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	1,599	735
Interest on lease liabilities	855	908
	2,454	1,643

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	123,590	168,115
Cost of services rendered	34,153	31,587
Depreciation of owned assets	26,550	33,437
Depreciation of right-of-use assets	1,983	2,167
Foreign exchange loss/(gain)	(1,700)	949

7. INCOME TAX

No provision for Hong Kong profits tax has been made (six months ended 30 June 2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current charge for the period		
Elsewhere	12,812	13,210
Underprovision in prior years		
Elsewhere	1,092	1,858
Deferred	(1,906)	(2,256)
Total tax charge for the period	11,998	12,812

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 2022: 502,557,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2023 and 2022 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. DIVIDEND

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim – HK2 cents (six months ended 30 June 2022: HK2 cents) per ordinary share	10,051	10,051

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	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 to 30 days	29,201	20,380
31 to 60 days	3,904	33,653
61 to 90 days	2,790	2,269
91 to 120 days	1,386	2,636
Over 120 days	1,292	8,410
	38,573	37,348

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 2023 (Unaudited) HK\$'000	31 December 2022 (Audited) HK\$'000
0 to 30 days	21,227	8,507
31 to 60 days	-	-
61 to 90 days	-	-
91 to 120 days	-	-
Over 120 days	208	271
	21,435	8,778

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

The COVID-19 epidemic that broke out at the end of 2019, after years of ravaging the world, has begun to subside in early 2023, with Hong Kong and the world gradually recovering from the epidemic. Even so, in the first half of 2023, the world situation was still turbulent, with the global economy facing various difficulties, including but not limited to, the Russia-Ukraine war having not yet over, inflation soaring, fuel and food prices skyrocketing, and the US keeping on raising interest rates. The rising interest rates have seriously hindered the pace of recovery of the global economy. The impact on developing countries and the real estate markets are particularly significant. The main businesses of the Group are located in Vietnam, Hong Kong and China. Among the various businesses, the cement business in Vietnam has been most affected.

Vietnam's recovery momentum was strong in early 2022, but began to falter and slowdown in the second half of 2022. Vietnam's real estate industry, in particular, has almost stagnated since the second half of 2022. In addition to soaring interest rates, it was mainly attributed to the tightening measures taken by the Vietnamese government on the real estate industry, including high-profile crackdown on corruptions of some leading real estate developers, and strict restrictions on real estate companies' bond issuance and borrowings.

In the first half of 2023, Vietnam's economic growth obviously slowed down. According to statistics from the Vietnam National Bureau of Statistics, as of the first six months of 2023, Vietnam recorded a GDP growth rate of only 3.72%, representing a significant decline as compared with 8.02% in the same period of last year. Among them, the construction and real estate industries were hard hit. Under this environment, inevitably, the Group's cement business was significantly affected as well, and resulted in continued losses in the first half of 2023. Yet on the other hand, the Group's Saigon Trade Center, being benefited from increasing interests of foreign MNCs investing in Vietnam and thus a strong demand for office spaces in Ho Chi Minh City, recorded a satisfactory rental performance in the first half of 2023. As for the Group's hotel business in Hong Kong, since Hong Kong's epidemic prevention measures and borders' restrictions were fully relaxed in early 2023, leading to a revival of Hong Kong's tourism and hotel industry, a solid and stable growth of the Group's "Pentahotel Hong Kong, Tuen Mun" was recorded during the period.

Looking forward to the second half of 2023, due to the sluggish real estate and construction industries in Vietnam, it is expected that the Group's cement plant will still face difficulties in operating in the second half of the year. On the other hand, Vietnam's economic slowdown may also affect foreign investors' investment and business expansion in Vietnam and become more cautious. Coupled with high interest rates and the possible downturn of the Chinese economy, the global economic situation in the second half of the year may be more turbulent and full of uncertainties. It may even have an impact on the leasing performance of the Group's Saigon Trade Center in the second half of the year. As for the hotel business, as Hong Kong's tourism industry continues to recover, it is estimated that the Group's hotel business will grow steadily in the second half of the year.

For the six months ended 30 June 2023, the Group's turnover was HK\$222,264,000, representing a decrease of approximately 16.5% from HK\$266,307,000 recorded in the same period last year. The Group's turnover is mainly derived from cement business, property investment and hotel business. Among them, the turnover of the cement business was HK\$108,809,000, representing a decrease of approximately 33.8% compared with the same period last year. The turnover of property investment business was HK\$76,163,000, representing an increase of approximately 5.7% compared with the same period last year. The hotel business recorded a turnover of HK\$29,059,000, representing an increase of approximately 27.9% over the same period last year.

In the first half of 2023, the Group recorded an unaudited profit attributable to owners of the parent company of HK\$29,729,000, an increase of approximately 15.0% from the unaudited profit attributable to owners of the parent company of HK\$25,848,000 recorded in the same period last year. The basic earnings per share for the first six months of 2023 was approximately HK5.9 cents (the first six months of 2022: HK5.1 cents).

Cement Business

After a difficult year in 2022, the situation of the Group's Vietnam cement business in the first half of 2023 did not improve much. The real estate market and construction industries has remained sluggish, since the Vietnamese government tightened control over the real estate industry by restricting credits and bond issuance of the developers in 2022. Many construction projects have come to a standstill, leading to a sharp drop in domestic cement demand. In addition, in the first half of 2023, the Vietnamese government's disbursement on public infrastructure projects only accounted for 30% of the planned budget, which thus seriously affected the demand for cement.

On the other hand, due to declines in demand for cement from China and Southeast Asian countries, Vietnam's cement and clinker export in the first half of 2023 fell by 15% when compared with the same period last year. The reduction in exports has led the Vietnamese cement producers to dump their cement produces locally, and thus intensifying the already fierce competition in the domestic market.

In terms of production costs, as a result of the rising inflation during the period, prices of fuel, labour and other raw materials recorded various extent of increase. In addition, due to the tightening of environmental protection policies by the Vietnamese government, the Group's cement plant was required to increase investment in environmental protection facilities, which thus added burden on the cement production costs.

For the six months ended 30 June 2023, the cement and clinker sales volume of the Group's cement plant was about 257,000 tons, representing a decrease of approximately 38.8% from 420,000 tons in the same period last year. The Group's cement business recorded an after-tax loss of HK\$12,648,000 for the first six months of 2023, an increase of approximately 141.6% compared with the after-tax loss of HK\$5,236,000 recorded in the same period last year.

Looking forward to the second half of 2023, it is estimated that Vietnam's real estate and construction industries will remain relatively sluggish, coupled with continued weak demand for cement in China and Southeast Asian countries, operations of the Group's cement plant are expected to remain difficult in the second half of the year. Realising a downturn real estate market will drag down the economy, the Vietnamese government has actively taken measures since the second half of the year. In an effort to stimulate economic growth and encourage investment, the Vietnamese government has implemented measures to reduce interest rates. As a result, borrowing costs have significantly decreased, making it more affordable for individuals and businesses to access credit. In medium and long terms, the Vietnamese government plans to develop Vietnam into a country with modernised transportation network and aims to build 5,000 km of expressways throughout Vietnam by 2030, which is expected to support the Vietnam's demand for cement in coming near future.

Property Investment

In the first half of 2023, as a result of changes in the working culture and ecology brought by the COVID-19 epidemic, resulting in a reduction of demand for office spaces, especially in the central business district, which include employees shifting to work from home, and small businesses moving to office buildings in the suburbs. However, due to keen foreign interests in investing in the Vietnamese market, especially MNCs were seen increasing their investments and expanding their business during the post-epidemic recovery phase, which has played a strong role in supporting the demand for office spaces in the CBD of Ho Chi Minh City, Vietnam. In the first half of 2023, corporate demand for office spaces in Ho Chi Minh City has maintained steady growth. On the other hand, a limited supply of new office buildings as a result of slowing down of the real estate and construction industries, also supported to an increase of the occupancy rate of the office market in Ho Chi Minh City in the first half of 2023.

For the first half of 2023, benefiting from the increase in new demand and successful leasing renewal of existing tenants, the performance of the Group's Saigon Trade Center in the CBD of Ho Chi Minh City achieved a satisfactory growth.

As of 30 June 2023, the occupancy rate of the Group's Saigon Trade Center reached 79%, a remarkable increase as compared with 74% recorded on 31 December 2022. The average rental rate remained stable as compared to that of 31 December 2022. While comparing to the corresponding period of last year, the overall operating income of Saigon Trade Center recorded an increase of approximately 10% in the first half of 2023.

Looking ahead to the second half of the year, there are full of uncertainties in both Vietnam and the global economic environment, which may result in foreign investors taking a more cautious approach in investing in Vietnam, and thus may lead to a slowdown in the demand for office spaces in Ho Chi Minh City in the second half of this year. However, a tight supply of office buildings in the CBD during the year, on the other hand, is expected to help sustain the rental performance of the Group's Saigon Trade Center in the second half of the year.

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

Hotel Business

In the first half of 2023, Hong Kong and Mainland China gradually recovered from the COVID-19 pandemic, and tourism recovered rapidly. As most of the epidemic prevention and control measures were lifted at the beginning of the year, the number of tourists arriving in Hong Kong has increased significantly. According to statistics from the Hong Kong Tourism Board, the number of tourists visiting Hong Kong in the first half of this year was nearly 13 million, a significant increase from 605,000 for the full year of 2022.

The revival of Hong Kong's tourism industry has also benefited from the Group's "Pentahotel Hong Kong, Tuen Mun ". The hotel maintained its momentum since the second half of last year, and has continued to achieve a healthy growth in the first half of 2023. The average occupancy rate of the Group's hotel in the first six months of 2023 reached 92%, a significant increase compared with 77.3% in the same period last year. The average room rate also went up for about 15% from a year ago.

For the six months ended 30 June 2023, the hotel business contributed an operating revenue of HK\$29,059,000 to the Group, representing an increase of 27.9% compared with the same period last year. Profit before depreciation was HK\$5,740,000, an increase of 15.6% from HK\$4,964,000 in the same period last year. After deducting depreciation, the hotel business recorded a loss of HK\$3,807,000, a decrease of 46.4% from the loss of HK\$7,109,000 in the same period last year.

Looking ahead to the second half of this year, it is estimated that the number of tourists visiting Hong Kong may continue to increase, which shall be beneficial to Hong Kong's tourism, as well as the Group's hotel performance. However, on the other hand, due to the impact of rising inflation and shortage of labour supply, the control of the hotel's operating costs shall be a difficult task and probably the biggest challenge for the Group's hotel performance in the second half of the year.

Property Development

The construction of the Group's "Hue Plaza" project located in Hue Province, Vietnam, was on going intensively in the first half of the year. Being affected by heavy rainfalls and lengthy rainy days in Hue Province at the beginning of this year, the progress was slightly delayed. In the first half of 2023, most of the mechanical and equipment installation works have been completed, and the interior decoration works are currently being carried out intensively. The construction of the entire project is expected to be completed before the end of the third quarter of 2023. "Hue Plaza" project mainly comprises of a Boutique hotel with 50 guest rooms and some retail areas. The hotel, namely "LE CARRÉ HUE" shall be ready for operation in the first quarter of next year.

After the epidemic, the Vietnamese government has further simplified tourists visa tedious process and actively promoted Vietnam's tourism industry, especially in the central region of Vietnam. The number of tourists visiting has increased significantly, which shall benefit to the Group's "LE CARRÉ HUE" hotel business when it comes into operation.

On the other hand, for the property located on Shanghai Street in Yau Ma Tei, Kowloon, Hong Kong, acquired by the Group for redevelopment purpose, due to the uncertain planning of the government on the district, as well as the downturn of the real estate market in Hong Kong, the redevelopment will not be carried out within this year.

Dividend

The board of directors resolved to distribute an interim dividend of HK\$2 cents per share to shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2023 amounted to HK\$496,167,000 (31 December 2022: HK\$444,409,000). The Group's total bank and other borrowings amounted to HK\$64,943,000 (31 December 2022: HK\$67,392,000), of which 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 2023, the Group has an unlisted investment of HK\$5,053,000 in Hong Kong.

Details of charges

As at 30 June 2023, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK\$472,271,000, 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 30 June 2023, 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 slight appreciation of 0.61% as at 30 June 2023 when compared to the rate as at 31 December 2022. The Group recorded an exchange gain of HK\$1,700,000 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 30 June 2023, the Group's capital commitments amounted to HK\$37,221,000 (31 December 2022: HK\$41,796,000).

Details of contingent liabilities

As at 30 June 2023, the Group had no significant contingent liabilities (31 December 2022: Nil).

Employees and Remuneration Policy

As at 30 June 2023, the Group had approximately 980 employees, of which 90% of them was located in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$30,113,000 for the six-month period ended 30 June 2023. 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 2022.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 27 September 2023 to Friday, 29 September 2023, both dates inclusive, during which period no transfer of shares will be affected. 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 26 September 2023. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Friday, 29 September 2023 on or before Friday, 13 October 2023.

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 2023.

CODE ON 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 provisions as set out in the Corporate Governance Code (the "CG Code") of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the six months ended 30 June 2023, the Company has complied with the code provisions set out in the CG Code with the exception of code provision C.2.1, B.2.2, C.1.6 and F.2.2.

According to code provision C.2.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The roles of Chairman and Chief Executive Officer of the Company were performed by Mdm. CHENG Cheung ("Mdm. CHENG") until 17 January 2023. 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.

According to code provision B.2.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Board was not subject to retirement by rotation. 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 deviation from the code provision is acceptable.

In respect of code provision C.1.6, Mr. Liang Fang and Mr. Liu Li Yuan, both the Independent Non-Executive Director of the Company, did not attend the Annual General Meeting of the Company held on 24 May 2023 (the "2023 AGM") due to their other business commitments.

In respect of code provision F.2.2, Mdm. CHENG, the Chairman of the Board, was unable to attend the 2023 AGM due to her feeling unwell on that day. Mr. Luk Yan, a Director and Co-Chief Executive Officer of the Company, took the chair of the 2023 AGM.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Lam Chi Kuen (Chairman), Ms. Pang Siu Yin and Mr. Wong Hoi Wah. 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 2023.

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 2023. 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 2023 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, 25 August 2023

As at the date of this announcement, the Board of Directors comprises Mdm. Cheng Cheung, Mr. Luk Yan, Mr. Luk Fung, Mr. Fan Chiu Tat, Martin and Ms. Luk Sze Wan, Monsie (who are executive directors), and Mr. Lam Chi Kuen, Ms. Pang Siu Yin and Mr. Wong Hoi Wah (who are independent non-executive directors).

* For identification purpose only