LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED
陸 氏 集 團 （ 越 南 控 股 ） 有 限 公 司 *

(incorporated in Bermuda with limited liability)

(Stock code: 366)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the "Board") of Luks Group (Vietnam Holdings) Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023 HK$'000**	2022 HK$'000
REVENUE	*3*	**427,308**	492,875
Cost of sales		**(290,105)**	(361,955)
Gross profit		**137,203**	130,920
Other income and gains, net	*3*	**24,760**	21,610
Fair value gains on investment properties, net		**2,176**	16,674
Selling and distribution expenses		**(3,305)**	(6,636)
Administrative expenses		**(69,812)**	(63,483)
Other expenses		**(156,088)**	(19,216)
Finance costs	*5*	**(4,090)**	(3,651)
PROFIT/(LOSS) BEFORE TAX	*4*	**(69,156)**	76,218
Income tax expense	*6*	**(29,494)**	(27,720)
PROFIT/(LOSS) FOR THE YEAR		**(98,650)**	48,498
Attributable to:			
Owners of the parent		**(98,241)**	53,494
Non-controlling interests		**(409)**	(4,996)
		(98,650)	48,498
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted		**HK(19.5) cents**	HK10.6 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2023

	2023 **HK$'000**	2022 HK$'000
PROFIT/(LOSS) FOR THE YEAR	**(98,650)**	48,498
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(33,816)**	(46,325)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(33,816)**	(46,325)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(132,466)**	2,173
Attributable to:		
Owners of the parent	**(131,904)**	2,043
Non-controlling interests	**(562)**	130
	(132,466)	2,173

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**2023 HK$'000**	2022 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**761,665**	945,105
Investment properties		**1,175,219**	1,196,473
Properties for development		**194,055**	207,653
Prepayments, other receivables and other assets		**21,051**	21,891
Total non-current assets		**2,151,990**	2,371,122
CURRENT ASSETS			
Inventories		**64,485**	70,850
Trade receivables	*9*	**29,076**	37,348
Prepayments, other receivables and other assets		**8,789**	9,535
Financial assets at fair value through profit or loss		**5,224**	5,120
Cash and cash equivalents		**465,369**	444,409
Total current assets		**572,943**	567,262
CURRENT LIABILITIES			
Trade payables	*10*	**11,929**	8,778
Other payables and accruals		**89,640**	85,386
Interest-bearing bank and other borrowings		**-**	67,392
Tax payable		**24,866**	28,323
Total current liabilities		**126,435**	189,879
NET CURRENT ASSETS		**446,508**	377,383
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,598,498**	2,748,505

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2023

	2023 HK$'000	2022 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,598,498**	2,748,505
NON-CURRENT LIABILITIES		
Other payables	**43,160**	36,871
Provisions	**3,066**	3,205
Deferred tax liabilities	**195,163**	198,750
Total non-current liabilities	**241,389**	238,826
Net assets	**2,357,109**	2,509,679
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,026**	5,026
Reserves	**2,374,971**	2,526,979
	2,379,997	2,532,005
Non-controlling interests	**(22,888)**	(22,326)
Total equity	**2,357,109**	2,509,679

Notes:

1. BASIS OF PREPARATION

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

1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. 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 less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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 material 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. 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.

2. OPERATING SEGMENT INFORMATION

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

(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.

Business segments

	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
Year ended 31 December	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue (note 3)												
Sales to external customers	**195,411**	281,452	**153,002**	144,367	**62,652**	52,264	**-**	-	**16,243**	14,792	**427,308**	492,875
Other income and gains, net	**4**	715	**597**	503	**8**	1,000	**7,592**	7,332	**3**	48	**8,204**	9,598
Total segment revenue	**195,415**	282,167	**153,599**	144,870	**62,660**	53,264	**7,592**	7,332	**16,246**	14,840	**435,512**	502,473
Segment results	**(166,132)**	(21,288)	**121,698**	123,975	**(5,662)**	(9,791)	**(6,270)**	(4,575)	**(29,346)**	(24,115)	**(85,712)**	64,206
Reconciliation:												
Interest income											**16,556**	12,012
Profit/(loss) before tax											**(69,156)**	76,218
Income tax credit/(expense)	**2,934**	2,609	**(32,390)**	(30,288)	**-**	-	**-**	-	**(38)**	(41)	**(29,494)**	(27,720)
Profit/(loss) for the year											**(98,650)**	48,498

Geographical information

(a) Revenue from external customers

	2023	2022
	HK$'000	HK$'000
Vietnam	**327,390**	404,189
Hong Kong	**86,961**	74,199
Mainland China	**12,957**	14,487
Total revenue	**427,308**	492,875

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

(b) Non-current assets

	2023	2022
	HK$'000	HK$'000
Vietnam	**1,150,120**	1,315,966
Hong Kong	**982,848**	1,034,646
Mainland China	**19,022**	20,510
Total non-current assets	**2,151,990**	2,371,122

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:

	2023	2022
	HK$'000	HK$'000
Customer A	**63,915**	98,488
Customer B	**47,556**	78,221

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

3. REVENUE, OTHER INCOME AND GAINS

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

	2023	2022
	HK$'000	HK$'000
Revenue from contracts with customers		
Sale of cement	**195,411**	281,452
Sale of electronic products	**16,243**	14,792
Rendering of property management and related services	**33,433**	32,055
Rendering of hotel and related services	**62,652**	52,264
	307,739	380,563
Revenue from other sources		
Gross rental income from investment properties	**119,569**	112,312
Total Revenue	**427,308**	492,875
Other income and gains		
Interest income	**16,556**	12,012
Government grants	**-**	1,000
Dividend income from financial assets at fair value through profit or loss	**321**	444
Fair value gain on financial assets at fair value through profit or loss	**105**	-
Rental income	**7,538**	7,054
Others	**240**	1,100
Total other income and gains	**24,760**	21,610

4. PROFIT BEFORE TAX

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

	2023 HK$'000	2022 HK$'000
Cost of inventories sold (including allowance for obsolete inventories of HK$1,266,000 (2022: Nil))	**218,281**	294,627
Cost of services rendered	**55,295**	53,373
Depreciation of owned assets	**52,555**	64,372
Depreciation of right-of-use assets	**3,929**	4,024
Auditor's remuneration	**2,355**	2,362
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**60,325**	57,426
Pension scheme contributions	**1,032**	854
Total	**61,357**	58,280
Foreign exchange differences, net	**4,204**	5,532
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	**16,529**	13,955
Fair value loss/(gain) on financial assets at fair value through profit or loss	**(105)**	2,229
Impairment of trade receivables, net	**973**	690
Written-off of property, plant and equipment	**-**	560
Impairment of property, plant and equipment	**139,211**	-
Write-down of properties for development	**11,700**	10,205

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 HK$'000	2022 HK$'000
Interest on bank loans	**2,406**	1,865
Interest on lease liabilities	**1,684**	1,786
Total	**4,090**	3,651

6. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2022: 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 (2022: HK$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 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%.

	2023 **HK$'000**	2022 HK$'000
Current – Hong Kong		
Charge for the year	**40**	41
Current – Elsewhere		
Charge for the year	**28,806**	27,317
Underprovision/(overprovision) in prior years	**(931)**	247
Deferred	**1,579**	115
Total tax charge for the year	**29,494**	27,720

7. DIVIDENDS

	2023 **HK$'000**	2022 HK$'000
Interim – HK2 cents (2022: HK2 cents) per ordinary share	**10,052**	10,052
Final proposed subsequent to the reporting period		
– HK2 cents (2022: HK2 cents) per ordinary share	**10,052**	10,052
	20,104	20,104

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

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 502,557,418 (2022: 502,557,418) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

9. TRADE RECEIVABLES

	2023	2022
	HK$'000	HK$'000
Trade receivables	**31,241**	38,590
Impairment	**(2,165)**	(1,242)
Net carrying amount	**29,076**	37,348

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. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. 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:

	2023	2022
	HK$'000	HK$'000
0 to 30 days	**16,247**	20,380
31 to 60 days	**3,165**	3,653
61 to 90 days	**2,728**	2,269
91 to 120 days	**1,807**	2,636
Over 120 days	**5,129**	8,410
Total	**29,076**	37,348

10. TRADE PAYABLES

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

	2023	2022
	HK$'000	HK$'000
0 to 30 days	**11,722**	8,507
31 to 60 days	**-**	-
61 to 90 days	**-**	-
91 to 120 days	**-**	-
Over 120 days	**207**	271
Total	**11,929**	8,778

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

BUSINESS REVIEW AND OUTLOOK

After ravaging the world for more than three years, the new coronavirus epidemic finally subsided around the world in 2023, and Hong Kong and mainland China finally lifted all epidemic prevention restrictions and measures in early 2023. However, the global economic recovery did not continue to be as positive as widely expected. After the epidemic, the global economy has entered a period of turmoil and full of uncertainties. In particular, factors such as the continuation of the Russia-Ukraine war, rising interest rates, and China's economic slowdown have largely affected the pace of global economic recovery. The Group's main businesses are located in Vietnam, Hong Kong and China. In 2023, among various businesses, the cement business in Vietnam performed relatively weakly, while the property investment and Hong Kong hotel business performed well.

After thriving in 2022, Vietnam's economic growth momentum began to slow down in 2023. According to statistics from the National Bureau of Statistics of Vietnam, Vietnam's GDP growth rate in 2023 was only 5.05%, a significant decline from 8.02% in 2022. Vietnam's economic growth has been affected by soaring interest rates and austerity measures taken by the Vietnamese government to combat corruption and fraud by some real estate developers, with the construction and real estate industries being the hardest hit. Under this environment, the Group's cement business will inevitably be greatly affected, resulting in continued losses in 2023.

However, on the other hand, foreign investors' interest in Vietnam remains strong. The total registered foreign direct investment in 2023 surged 32.1% compared with the same period last year, reaching US$36.6 billion. The new investments and corporate expansion plans of foreign multinational companies in Vietnam have continued to sustain the demand for office buildings in Ho Chi Minh City. The Group's Saigon Trade Center also benefited from this and achieved stable performance and growth in 2023. As for the Group's hotel business in Hong Kong, since the beginning of 2023, Hong Kong's anti-epidemic measures and border restrictions have been fully relaxed, which has driven the recovery of Hong Kong's tourism and hotel industries. The Group's "Pentahotel Hong Kong, Tuen Mun" also recorded stable growth during the year increase.

Looking forward to 2024, as Vietnam's real estate and construction industry continues to be sluggish, the Group's cement business is expected to continue to face difficulties. On the other hand, the economic slowdown in Vietnam may also affect the investment sentiment of foreign investors and the expansion plans of enterprises in Vietnam. The supply of office buildings in the market is also increasing. It thus may affect the leasing performance of the Group's Saigon Trade Center in 2024. In addition, as other negative factors affecting the global economic situation still exist, especially the continued high interest rates and the slowdown of China's economy, the economic environment in 2024 is still full of uncertainties. Regarding the Group's hotel business, as Hong Kong's tourism industry is expected to continue to recover, the hotel business will generally benefit. Therefore, the Group's hotel is expected to maintain a steady pace of growth in 2024.

For the year ended December 31, 2023, the Group's turnover was HK$427,308,000, a decrease of approximately 13.3% from the HK$492,875,000 recorded last year. The Group's turnover mainly comes from cement business, property investment and hotel business. Among them, the cement business turnover was HK$195,411,000, a decrease of approximately 30.6% compared with last year. The turnover of property investment business was HK$153,002,000, an increase of approximately 6.0% compared with last year. The hotel business turnover was HK$62,652,000, an increase of approximately 19.9% compared to last year.

For the full year of 2023, the Group recorded a consolidated net loss after tax of HK$98,650,000, compared with a consolidated net profit of HK$48,498,000 last year. The consolidated net loss attributable to owners of the parent company was HK$98,241,000, compared with a consolidated net profit of HK$53,494,000 recorded last year. Basic loss per share was HK$19.5 cents (2022: basic profit per share was HK$10.6 cents).

There are two main factors attributable to the Group's losses this year. First, as the Group's cement business has continued to suffer losses in the past two years, according to the assessment of an independent valuer, the recoverable amount of the cash-generating unit of the cement business has significantly decreased. Therefore, the Group has made an impairment provision for its properties, plants and equipment, for an amount of HK$139,211,000. Secondly, for the year ended December 31, 2023, compared with 2022, the Group recorded lesser fair value gains on investment properties of approximately HK$14,498,000. Although the losses caused by the above two items have a negative impact on the Group's asset value, they do not affect the Group's cash flow. Assuming that the losses caused by the above two non-cash flow items had been excluded, the Group's overall operating profit did improve compared with the previous year.

Cement Business

In 2023, the Group's cement business in Vietnam remained difficult amid shrinking demand, fierce market competition and rising operating costs. As the Vietnamese government prioritized rectifying corruption and excessive lending in Vietnam's real estate industry during the year, the real estate market and construction industry continued to slump, leading to a sharp decline in domestic cement demand in Vietnam. Furthermore, under the years of ravages of the pandemic, the civil construction industry, which is the foundation of cement consumption, has been in difficulty, and many related companies have gone bankrupt, making the civil and residential construction industry unable to recover soon after the epidemic is over.

In 2023, Vietnam's total domestic cement consumption was only 57.5 million tons, while supply could reach 120 million tons. Competition in the cement industry is extremely fierce. Although the government relaxed credit controls and reduced borrowing costs in the financial market in the first half of 2023, the real estate market has not yet seen much improvement.

In addition, the economic downturn and rising protectionism in neighbouring countries led to a decline in Vietnam's cement export demand during the year, especially exports to China and Southeast Asian countries. Vietnam's cement and clinker exports in 2023 decreased by 2% from last year to 32.6 million tons. Affected by this, the already fiercely competitive environment in the domestic market has worsened.

As for production costs, coal and fuel prices continued to decline in the second half of 2023, which could help production costs to a certain extent. However, the cost savings were not significant due to lower output from the Group's cement operations. On the other hand, the Vietnamese government's tightened control over transportation management in central Vietnam led to increased transportation costs and created additional obstacles for the Group's cement distribution. In addition, due to the stricter environmental protection policies implemented by the Vietnamese government during the year, the Group's cement plants were required to invest additional resources in building environmental protection facilities, which also increased operating costs.

For the year ended December 31, 2023, the cement and clinker sales volume of the Group's cement plants was approximately 465,600 tons, a decrease of approximately 32.7% from 691,800 tons in the previous year. The Group's cement business recorded an after-tax loss of approximately HK$160,415,000 in 2023, including an impairment provision of HK$139,211,000 made for the year, compared to a loss of HK$16,328,000 in the previous year.

Due to the continuous losses in the past two years, the recoverable amount of the cash-generating unit of the cement business has been significantly reduced according to the assessment of an independent valuer. Therefore, the Group has made impairment provisions for its properties, plant and equipment, with a total amount of HK$139,211,000. This is also the main reason why the Group's performance in 2023 turned from profit to loss.

Looking forward to 2024, as the real estate market and construction industry are still sluggish in the first quarter and there are no obvious signs of improvement, it is believed that the cement business will still be faced with difficulties in 2024. But in the medium to long term, as Hue, the main location of the Group's cement operations, has been approved to become a Municipality directly under the central government in 2025, this will give the province more opportunities and resources in terms of infrastructure investment and development. In addition, a number of seaports and airports in provinces surrounding Hue have been approved for construction, which will also benefit the Group's cement business in the next few years.

Property Investment Business

In 2023, even amid the economic downturn and instability in Vietnam, demand for office spaces in Ho Chi Minh City still maintained steady growth. This was mainly due to new investments and corporate expansion plans by multinational companies in Vietnam, especially during this early stage of post-pandemic recovery. Demand mainly came from the financial, banking and insurance industries, while the manufacturing and life sciences, healthcare and pharmaceutical industries had also seen considerable demand growth in 2023. On the other hand, after years of stagnant development due to the impact of the COVID-19 epidemic, the new supply of office buildings also continued to increase during 2023. However, despite intensified competition, market rents and occupancy rates remained stable during the year as demand remained strong and absorbed most of the new supply in the market.

In 2023, the Group's Saigon Trade Center located in the central business district of Ho Chi Minh City recorded satisfactory growth. The occupancy rate as at December 31, 2023 was 78%, compared with 74% recorded as at December 31, 2022. Compared with December 31, 2022, the average rent in 2023 remained stable, while annual income recorded an increase of approximately 10.5%.

Looking forward to 2024, the Vietnamese market remains full of uncertainties due to the stagnant real estate market and high interest rates. Under the current situation, foreign investors mostly adopt a wait-and-see attitude. However, the Vietnamese government has worked hard to maintain economic growth by promising to simplify legal procedures and lower interest rates, and has raised its target GDP growth rate in 2024 to 6% to 6.5%. On the other hand, the supply of office buildings is increasing in the next few years, which will put pressure on the leasing performance of the Group's Saigon Trade Center in 2024. However, despite the challenges, Vietnam is still one of the high growth countries globally, and it is expected that Ho Chi Minh City will continue to attract multinational companies to set up offices, thereby supporting demand for office spaces. As long as the economic situation becomes clearer, office demand in Ho Chi Minh City, Vietnam, especially in the central business district, is expected to maintain good growth momentum.

On the other hand, the overall rental income of the Group's rental properties in Hong Kong and Mainland China remained generally stable in 2023.

In 2023, the fair value gains on the Group's investment properties increased by approximately HK$2,176,000, which was significant less than HK$16,674,000 recorded in 2022, to the extent of approximately HK$14,498,000.

Hotel Business

2023 is Hong Kong's first year in the post-epidemic period. Since the beginning of 2023, epidemic prevention measures have been fully lifted. Affected by this, Hong Kong's tourism industry has recovered rapidly, and the number of tourists visiting Hong Kong has rebounded significantly. According to statistics from the Hong Kong Tourism Board, the number of tourists visiting Hong Kong in 2023 was approximately 34 million, an increase of more than 56 times compared with approximately 600,000 in the previous year, although it has still not returned to pre-epidemic levels.

The strong recovery of Hong Kong's tourism industry has supported the growth of the Group's hotel business in Hong Kong. The Group's "Pentahotel Hong Kong, Tuen Mun" recorded an average occupancy rate of approximately 91.3% in 2023, a significant increase from 84.3% in 2022, and the average room rate also recorded a 13% increase.

As of December 31, 2023, the hotel business contributed operating income of HK$62,652,000 to the Group, an increase of nearly 20% over the previous year. Profit before depreciation was HK$15,991,000, an increase of approximately 13.8% from the HK$14,049,000 recorded last year. After deducting depreciation, the hotel business recorded a loss of HK$4,870,000, a decrease of 46.0% from the loss of HK$9,012,000 recorded last year.

Looking forward to 2024, as the Hong Kong government actively promotes Hong Kong tourism, the number of tourists visiting Hong Kong in 2024, especially those from mainland China, is expected to continue to increase. According to the forecast of the Hong Kong Tourism Board, the number of tourists visiting Hong Kong will reach 46 million in 2024, an increase of 35% over 2023. Therefore, the Group's hotel is expected to benefit and is expected to maintain steady growth in 2024. However, affected by labour shortage and inflation in Hong Kong, the hotel industry is also facing pressure from rising operating costs. Cost control will be one of the main tasks and challenges for the Group's hotel in 2024.

Property Development Business

The construction work of the Group's "Hue Square" project in Hue Province, Vietnam has been basically completed. However, due to the continuous rainfall in Hue Province in the fourth quarter of 2023, the completion time was delayed for several months. Currently, the project is undergoing interior decoration works for hotel rooms and retail areas, and is expected to be completed in the third quarter of 2024.

The "Hue Square" project mainly consists of a boutique hotel with 50 rooms and some retail areas. The hotel is called "LE CARRÉ HUE" and is expected to be operational from the fourth quarter of this year to early next year.

As Hue will be upgraded to a Municipality in 2025, tourism and business traveller arrivals are expected to increase. As the Vietnamese government actively promotes tourism and is considering the possibility of exempting more countries from tourist visas, the Group's "LE CARRÉ HUE" hotel is expected to benefit when it comes to operation.

On the other hand, the Group acquired a commercial and residential property located in Shanghai Street, Yau Ma Tei, Kowloon, Hong Kong in 2021 and with plans to use it for redevelopment. Since the government's planning for the area is still unclear and the real estate market is heading to a downturn, the Group will not commence the redevelopment of the Property within this year.

In addition, the Group holds land located in Binh Thanh District, Ho Chi Minh City, Vietnam, which will still be regarded as land reserve for the time being and will be developed only when the time is right in the future.

Dividend

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

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 31 December 2023 amounted to HK$465,369,000 (31 December 2022: HK$444,409,000). The Group has no bank and other borrowings as at 31 December 2023 (31 December 2022: HK$67,392,000).

All of the Group's borrowings as at 31 December 2022 were denominated in HK dollars, repayable within 1 year/on demand clause and 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 2023 (31 December 2022: not applicable).

Significant investments held

As at 31 December 2023, the Group has an unlisted investments of HK$5,169,000 (31 December 2022: HK$5,064,000) in Hong Kong.

Details of charges

Since the Group has repaid all its bank borrowings during the year, there was no pledge to the bank as at 31 December 2023.

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, and 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, current assets and liabilities of the cement plant and the Saigon Trade Center. The exchange rate of VND to HKD recorded a depreciation of 2.57% as at 31 December 2023 when compared to the rate as at 31 December 2022. The Group recorded an exchange loss of HK$4,204,000 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 2023, the Group's capital commitments amounted to HK$27,903,000 (31 December 2022: HK$41,796,000).

Details of contingent liability

As at 31 December 2023, the Group has no significant contingent liability (31 December 2022: Nil).

Employees and Remuneration Policy

As at 31 December 2023, the Group had approximately 890 employees, of which about 87% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$61,357,000 for the year ended 31 December 2023 (31 December 2022: HK$58,280,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Environmental, Social and Corporate Responsibility

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

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

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommended a final dividend of HK2 cents (2022: HK2 cents) per share and the Register of Members of the Company will be closed for the following periods:

(a) To ascertain shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, 27 May 2024 to Thursday 30 May 2024, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Friday, 24 May 2024.

(b) To ascertain shareholder's entitlement to the proposed final dividend upon the passing of the resolution no. 2 set out in the notice of the Annual General Meeting, the register of members of the Company will be closed from Thursday, 6 June 2024 to Friday, 7 June 2024, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration before 4:30 p.m. on Wednesday, 5 June 2024.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Friday, 7 June 2024 and the payment date of the dividend is expected to be Friday, 21 June 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2023.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining high standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system. The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") contained in Part 2 of Appendix C1 (formerly Appendix 14) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Throughout the financial year ended 31 December 2023, the Company has complied with the code provisions set out in the CG Code, except for code provision B.2.2, C.1.6, C.2.1 and F.2.2.

Under the 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. Mdm. CHENG Cheung ("Mdm. CHENG"), the Chairman of the Board is 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 deviations from the code provision B.2.2 is acceptable.

Under the code provision C.1.6, independent non-executive directors and other non-executive directors should generally attend general meetings to gain and develop a balanced understanding of the views of shareholders. Due to other pre-arranged business commitments, Mr. Liu Li Yuan and Mr. Liang Fang were not able to attend the annual general meeting ("AGM") of the Company held on 24 May 2023. Mr. Liu Li Yuan and Mr. Liang Fang have resigned as independent non-executive directors of the Company after the conclusion of the AGM. Ms. Pang Siu Yin and Mr. Wong Hoi Wah were appointed as independent non-executive directors of the company at the AGM.

Under 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. Both the roles of Chairman and Chief Executive Officer of the Company were performed by Mdm. CHENG before 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. Thus, the Company has compiled with the code provision C.2.1 since 17 January 2023.

Under the code provision F.2.2, the chairman of the board should attend the AGM. Due to feeling of unwell on the day of the AGM, Mdm. CHENG was not able to attend the AGM of the Company on 24 May 2023.

Further information of the Company's corporate governance practices is set out in the corporate governance report in the 2023 Annual Report to be despatched to the shareholders in mid-April 2024.

AUDIT COMMITTEE

The Group's audit committee ("Audit Committee") has reviewed with the accounting principles and practices adopted by the Group, and discussed with the management for the internal control and financial reporting matters. The Audit Committee also reviewed the consolidated financial statements of the Group for the year ended 31 December 2023.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Company's external auditor, Ernst & Young to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with *Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements* issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this announcement.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company that they have complied with the Model Code during the period between 1 January 2023 and 31 December 2023.

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 Thursday, 30 May 2024.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 20 March 2024

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. Lam Chi Kuen, Ms. Pang Siu Yin and Mr. Wong Hoi Wah (who are independent non-executive directors).

* For identification purpose only