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LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	3	513,230	528,495
Cost of sales		<u>(359,257)</u>	(376,504)
Gross profit		153,973	151,991
Other income and gains	3	18,628	10,945
Fair value gains on investment properties, net		32,868	9,052
Selling and distribution expenses		(6,906)	(9,638)
Administrative expenses		(62,425)	(63,777)
Other expenses		(18,134)	(3,453)
Finance costs	5	<u>(2,872)</u>	(1,887)
PROFIT BEFORE TAX	4	115,132	93,233
Income tax expense	6	<u>(30,540)</u>	(33,042)
PROFIT FOR THE YEAR		<u>84,592</u>	<u>60,191</u>
Attributable to:			
Owners of the parent		84,669	61,511
Non-controlling interests		<u>(77)</u>	(1,320)
		<u>84,592</u>	<u>60,191</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted		<u>HK16.8 cents</u>	<u>HK12.2 cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 HK\$'000	2020 HK\$'000
PROFIT FOR THE YEAR	<u>84,592</u>	<u>60,191</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>22,054</u>	2,089
OTHER COMPREHENSIVE INCOME FOR THE YEAR	<u>22,054</u>	<u>2,089</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>106,646</u>	<u>62,280</u>
Attributable to:		
Owners of the parent	106,868	62,597
Non-controlling interests	<u>(222)</u>	<u>(317)</u>
	<u>106,646</u>	<u>62,280</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		999,094	1,067,425
Investment properties		1,209,170	1,181,820
Properties for development		219,952	27,459
Prepayments, other receivables and other assets		23,081	1,935
Total non-current assets		2,451,297	2,278,639
CURRENT ASSETS			
Inventories		69,119	58,276
Trade receivables	9	35,892	36,824
Prepayments, other receivables and other assets		28,647	8,981
Financial assets at fair value through profit or loss		14,477	57
Cash and cash equivalents		439,596	454,752
Total current assets		587,731	558,890
CURRENT LIABILITIES			
Trade payables	10	18,461	9,228
Other payables and accruals		78,852	84,800
Interest-bearing bank and other borrowings		123,545	8,750
Tax payable		35,225	28,710
Total current liabilities		256,083	131,488
NET CURRENT ASSETS		331,648	427,402
TOTAL ASSETS LESS CURRENT LIABILITIES		2,782,945	2,706,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)*31 December 2021*

	2021	2020
	HK\$'000	HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,782,945	2,706,041
NON-CURRENT LIABILITIES		
Other payables	41,775	40,372
Provisions	3,262	3,058
Deferred tax liabilities	205,273	206,468
Total non-current liabilities	250,310	249,898
Net assets	2,532,635	2,456,143
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,026	5,026
Reserves	2,550,065	2,479,722
	2,555,091	2,484,748
Non-controlling interests	(22,456)	(28,605)
Total equity	2,532,635	2,456,143

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 2021. 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).

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

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

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

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

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

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

1.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (early adopted)

The nature and the impact of the revised HKFRSs 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 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.

As at 31 December 2021, the Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars based on the Hong Kong Interbank Offered Rate (“HIBOR”). The Group expects HIBOR will continue to exist and there is no impact on the Group's HIBOR-based borrowings.

- (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. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application. There was no impact on the opening balance of equity as at 1 January 2021.

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

Year ended 31 December	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000	2021 HK\$'000	2020 HK\$'000
Segment revenue (note 3)												
Sales to external customers	310,302	334,880	149,324	150,162	41,004	31,609	-	-	12,600	11,844	513,230	528,495
Other income and gains	668	286	2,740	218	400	808	2,637	467	-	-	6,445	1,779
	310,970	335,166	152,064	150,380	41,404	32,417	2,637	467	12,600	11,844	519,675	530,274
Segment results	9,168	7,873	137,492	128,096	(21,173)	(24,646)	(1,312)	(1,580)	(21,226)	(25,676)	102,949	84,067
<i>Reconciliation:</i>												
Interest income											12,183	9,166
Profit before tax											115,132	93,233
Income tax expense	(4,355)	(541)	(26,171)	(32,391)	-	-	-	-	(14)	(110)	(30,540)	(33,042)
Profit for the year											84,592	60,191

Geographical information

(a) Revenue from external customers

	2021 HK\$'000	2020 HK\$'000
Vietnam	438,814	466,272
Hong Kong	60,427	50,563
People's Republic of China ("PRC")	13,989	11,660
	513,230	528,495

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

(b) Non-current assets

	2021 HK\$'000	2020 HK\$'000
Vietnam	1,358,236	1,380,975
Hong Kong	1,069,890	875,669
PRC	23,171	21,995
	2,451,297	2,278,639

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:

	2021 HK\$'000	2020 HK\$'000
Customer A	99,734	104,424
Customer B	79,210	88,808

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:

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers		
Sale of cement	310,302	334,880
Sale of electronic products	12,600	11,844
Rendering of property management and related services	33,045	35,718
Rendering of hotel and related services	41,004	31,609
	<u>396,951</u>	414,051
Revenue from other sources		
Gross rental income from investment property	116,279	114,444
	<u>513,230</u>	528,495
Other income and gains		
Interest income	12,183	9,166
Gain on disposal of items of property, plant and equipment, net	300	4
Government grants	400	808
Dividend income from financial assets at fair value through profit or loss	414	-
Rental income	2,069	-
Forfeiture of rental deposit	1,881	-
Others	1,381	967
	<u>18,628</u>	10,945

4. PROFIT BEFORE TAX

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

	2021 HK\$'000	2020 HK\$'000
Cost of inventories sold	292,433	313,992
Cost of services rendered	56,617	50,477
Depreciation of owned assets	67,684	65,968
Depreciation of right-of-use assets	4,062	7,052
Amortisation of properties for development	1,121	1,104
Auditor's remuneration	2,340	2,405
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	57,873	52,991
Pension scheme contributions	648	684
	<u>58,521</u>	53,675
Foreign exchange differences, net	534	3,347
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties	10,207	12,035
Fair value loss on financial assets at fair value through profit or loss	356	-
Loss on disposal of investment properties	1,308	-
Impairment / (reversal of impairment) of trade receivables	586	(137)
Impairment of property, plant and equipment	16,732	-

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 HK\$'000	2020 HK\$'000
Interest on bank loans	759	346
Interest on lease liabilities	2,113	1,541
	<u>2,872</u>	<u>1,887</u>

6. INCOME TAX

Hong Kong profit tax has been provided at the rate of 16.5% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary is taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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%.

	2021 HK\$'000	2020 HK\$'000
Current – Hong Kong		
Charge for the year	14	11
Current – Elsewhere		
Charge for the year	31,774	28,272
Underprovision in prior years	3,005	56
Deferred	(4,253)	4,703
Total tax charge for the year	<u>30,540</u>	<u>33,042</u>

7. DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Interim – HK3 cents (2020: HK2 cents) per ordinary share	15,077	10,105
Final proposed subsequent to the reporting period		
– HK3 cents (2020: HK3 cents) per ordinary share	15,077	15,077
	<u>30,154</u>	<u>25,182</u>

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

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 502,557,418 (2020: 504,713,484) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

9. TRADE RECEIVABLES

	2021 HK\$'000	2020 HK\$'000
Trade receivables	38,417	40,671
Impairment	(2,525)	(3,847)
	<u>35,892</u>	<u>36,824</u>

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

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

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	19,375	23,180
31 to 60 days	4,289	3,324
61 to 90 days	3,233	4,471
91 to 120 days	2,126	1,558
Over 120 days	6,869	4,291
	<u>35,892</u>	<u>36,824</u>

10. TRADE PAYABLES

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

	2021 HK\$'000	2020 HK\$'000
0 to 30 days	18,153	9,023
31 to 60 days	32	-
61 to 90 days	14	-
91 to 120 days	-	-
Over 120 days	262	205
	<u>18,461</u>	<u>9,228</u>

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

BUSINESS REVIEW AND OUTLOOK

In 2021, the economic conditions of the world, as well as the Group's main operating locations, Vietnam and Hong Kong, were still mainly affected by the development of the COVID-19 epidemic. In early 2021, the COVID-19 epidemic in Vietnam was brought under control and the economy rebounded. However, in the third quarter, the epidemic being affected by a variant virus, widely outbreaked in Vietnam. The Vietnamese government's policy, once again focused on epidemic prevention, and measures such as social isolation and reduction of economic activities were adopted again to stop the outbreak of the epidemic. As a result, it seriously affected economic activities and Vietnam's economy almost came to a standstill in the third quarter, which thus also affected the operation of the Group's cement plant and the rental situation of Saigon Trade Center.

As for Hong Kong, the epidemic was largely under control in 2021. However, due to the strict foreign entry restrictions and quarantine measures implemented by the Hong Kong government, the number of visitors to Hong Kong decreased significantly. "The change of strategy to attract local residents in Hong Kong has successfully turned the Group's hotel business from a loss last year to a profit recorded in 2021, before deducting the hotel property's depreciation. However, since the end of 2021, affected by the mutant virus Omicron, the epidemic broke out again in Hong Kong, and it even reached the point of getting out of control, bringing negative impact to the hotel business of the Group, which was just seen slowly recovering.

Overall, the Group's business performance in the first half of 2021 was relatively satisfactory and recorded a steady recovery. However, starting from the third quarter, affected by the outbreak of the epidemic in Vietnam, there was a downward trend. In addition, from the fourth quarter of 2021 onwards, due to the sharp rise in international crude oil prices and the sharp rise in the prices of various raw materials, the operation of the Group's cement plants has become even worse. What's more, at the beginning of 2022, affected by negative factors such as rising global inflation and Russia's invasion of Ukraine, the global economic environment became more volatile, which further increased the uncertainty of the operating environment of the Group's various businesses.

It is estimated that the operation of the Group's various businesses in the first half of 2022 will be more difficult, especially the operation of the Group's cement plants. However, as the Vietnamese government has changed its anti-epidemic strategy from "preventing outbreak" to "coexisting with the virus" in the first quarter of 2022, and as a result, from March 15, 2022, the entry restrictions for business travellers and tourists have been lifted. Hopefully, Vietnam's economy will be leading back on track with the lift, and thus will benefit to the operation of the Group's cement plant and Saigon Trade Center in Vietnam. Yet, on the other hand, the global economic environment is still volatile and full of various unstable factors, which will be the biggest challenge for the Group's business operations in 2022.

For the year ended 31 December 2021, the Group's turnover was HK\$513,230,000, representing a decrease of approximately 2.9% as compared to the HK\$528,495,000 recorded in the previous year. The Group's turnover mainly came from cement business, property investment business and hotel business. Among them, the turnover of cement business was HK\$310,302,000, a decrease of approximately 7.3% compared with the previous year; the turnover of the property investment business was HK\$149,324,000, a decrease of approximately 0.6% compared with the previous year; the turnover from the hotel business was HK\$41,004,000, an increase of about 29.7% compared to last year.

For the whole year of 2021, the Group recorded a consolidated net profit attributable to shareholders of HK\$84,669,000, an increase of approximately 37.6% as compared with the net profit of HK\$61,511,000 recorded in the previous year. Basic earnings per share were HK16.8 cents (2020: HK12.2 cents).

Cement business

In 2021, the operating environment of the Group's cement plants in Vietnam remained difficult. The COVID-19 epidemic broke out again in the third quarter, which made the operating environment of Vietnam's cement market, which was already out of balance between supply and demand, even worse. In the past, Vietnam's excess cement production was mainly absorbed by the export market. However, due to the impact of the COVID-19 outbreak in Southeast Asian countries, those countries also adopted policies to protect local cement production. The export market was thus restricted, which in turn intensifying competition in the Vietnam's local cement market. In addition, after the large-scale outbreak of the epidemic in Vietnam, the government implemented strict epidemic prevention measures, including city closures, prohibition of going out, and strict social distancing, which brought the local economy to a near standstill. In the third quarter of 2021, Vietnam experienced a negative growth of 6% for the first time in many years. Construction and engineering projects were halted, which severely affected the market cement usage and severely hit the cement sales of the Group's cement plants.

On the other hand, the epidemic prevention measures have also increased logistics costs. The costs of various raw materials and coal have risen sharply, and the supply has also become tight. In October 2021, the coal price rose to US\$250 per ton, more than three times higher than the US\$80 in the same period last year. In addition, due to the limitation on steel supply, many construction projects had to be shut down, which thus seriously affected the local demand for cement. At the end of 2021, affected by the surge in global oil prices, the production costs and transportation costs of cement plants also increased. In general, since the third quarter of 2021, the Group's cement plants have faced unprecedented challenges in both sales and production.

As at 31 December 2021, the sales volume of cement and clinker from the Group's cement plants was 893,000 tonnes, representing a decrease of approximately 7.8% as compared with 969,000 tonnes last year. The after-tax profit of the cement business for the year was HK\$4,813,000, a decrease of approximately 34.4% from HK\$7,332,000 last year.

Looking ahead to 2022, the Group's cement operating environment will remain harsh in the first quarter. However, since the Vietnamese government has lifted all entry restrictions on March 15, 2022 and relaxed local epidemic prevention measures, it will have a positive impact on the Vietnamese economy, as well as domestic cement demand. In addition, the Vietnamese National Assembly has also passed a series of stimulus packages, including accelerated funding for various government projects to stimulate economic recovery. The government has also reduced the value-added tax on various products, including cement, from 10% to 8%. All these policies shall bring significant improvement on the operating environment of the Group's cement plants. However, as the external economic environment remains volatile, whereas gasoline and coal prices remain high, and a lack of supply of raw materials and the rising transportation costs, shall together pose serious challenges to the operation of the cement plants. Therefore, it is estimated that in the first half of 2022, the operation of the cement plant will still be difficult, and it is expected to improve in the second half of the year.

Property investment

Since the outbreak of the COVID-19 epidemic in early 2020, the Vietnamese government has implemented strict restrictions on entry of foreigners. Investors and employees of many foreign companies have been unable or more difficult to enter Vietnam. In 2021, as the epidemic continued to develop, the office market in Ho Chi Minh City began to be affected and showed signs of downward trend. Especially since the third quarter, the government further implemented measures such as city closure and strict social distancing, resulting in some financially weaker enterprises, either gradually moving to cheaper office buildings outside the city center, or reducing office spaces so as to reduce operating costs. After the large-scale outbreak of the epidemic, many foreign and local enterprises have also adopted a wait-and-see attitude when it comes to renewing or expanding office spaces, waiting for the epidemic to subside or the government to relax the epidemic prevention measures. However, many companies in the market, including real estate, finance, and technology, especially game software development companies, were seen expanding their businesses and seeking larger office space.

Although the demand in the office building market declined and the occupancy rate also retreated, the rent of office buildings remained relatively stable during the period. On the other hand, strict anti-epidemic measures have brought various construction projects to a standstill, resulting in the postponement of the completion date of the office buildings under development, and also restricting the new supply in the market. During the year, there were only a few Grade B office buildings launched in the market, and most It is concentrated in the outer areas of the city center, and the supply of Grade A office buildings in the center of Ho Chi Minh City is still lacking.

The Group's Saigon Trade Center, located in the central business district of Ho Chi Minh City, recorded stable rental income and a drop in occupancy rate during the year. As of December 31, 2021, the occupancy rate of Saigon Trade Center was approximately 74%, a decrease from 77% as of June 30, 2021. Overall rental income recorded remained steady as compared to last year.

Looking forward to 2022, the first quarter is still affected by the continuation of the epidemic and the strict anti-epidemic measures. The demand for office buildings in Ho Chi Minh City, Vietnam has decreased, which has put pressure on the occupancy rate and rent of the Group's Saigon Trade Center. However, since the Vietnamese government has adopted a policy of coexisting with the virus and fully opened to the World from March 15, 2022, it is estimated that the long-suppressed foreign investors will flood into Vietnam in large numbers, which will also drive up the demand for office buildings in Ho Chi Minh City. While the supply of Grade A office buildings in the central area of Ho Chi Minh City is still in short supply, it is expected that the rental situation of Saigon Trade Center will improve starting from the second quarter of 2022.

During the year, the overall rental income of the Group's rental properties in Hong Kong and Mainland China remained generally stable.

In 2021, the Group recorded a fair value increase of approximately HK\$32,868,000 in revaluation of its investment properties, an increase of approximately of HK\$23,816,000 from HK\$9,052,000 in 2020.

Hotel business

Since the outbreak of the COVID-19 in 2020, the global tourism industry, as well as the Group's hotel business, has been one of the hardest hit industries. Since March 2020, the Hong Kong government has closed most of the borders connecting to mainland China, and imposed travel restrictions on people coming to Hong Kong from overseas countries/regions. Hong Kong tourists and business travel dropped sharply. In 2021, the Hong Kong government further implemented entry restrictions on flights from major cities around the world. According to statistics from the Hong Kong Tourism Board, the total number of inbound tourists in 2021 was only about 90,000, a decrease of 97.4% compared with 3.56 million in 2020, and was incomparable when compared with about 56 million in 2019. It thus had a serious impact on the hotel industry in Hong Kong, as well as the Group's "Pentahotel Hong Kong Tuen Mun".

Although Hong Kong's tourism industry is still in the doldrums, the Group's "Pentahotel Hong Kong Tuen Mun" resumed steady growth in 2021. The Group's hotel successfully attracted local residents to stay, and the increase in the occupancy rate of hotel restaurants also contributed to an increase in catering revenue. In 2021, the Group's hotel recorded an average occupancy rate of approximately 74.7%, a marked increase from the average occupancy rate of 60.7% recorded in 2020. Compared with 2020, the average hotel room rate also recorded a slight increase of approximately 1.3%.

As at 31 December 2021, the hotel business contributed HK\$41,004,000 to the Group's operating income, representing an increase of 29.7% over the previous year. Before depreciation of hotel properties, it recorded a profit after tax of HK\$1,298,000, compared with a loss of HK\$625,000 last year. After deducting the depreciation of hotel properties, the hotel business recorded a loss of HK\$21,173,000, a decrease of 14.1% compared to the loss of HK\$24,646,000 recorded last year.

At the beginning of 2022, a new round of epidemic broke out in Hong Kong. The epidemic has even been out of control. The HK government adopted stricter epidemic prevention measures, which hit the just stabilized hotel business of the Group. It is estimated that operation of the Group's hotel business will be more difficult in 2022, especially in the first half of the year. However, it is also expected that the government will implement looser entry restrictions and reduce the number of days for quarantine entering in Hong Kong from the second quarter onwards, and relax strict epidemic prevention measures, which if actualised, shall benefit to the operation of the Group's hotel in the second half of the year.

Property development business

In 2021, the construction of the Group's "Hue Square" in Hue Province, Vietnam has officially kick-started, and the piling and foundation consolidation works have been successfully completed. In the middle of the year, affected by the outbreak of the new crown epidemic in Vietnam, and since then, the Vietnamese government implemented tightened anti-epidemic measures throughout the country, which caused a slight delay in the progress of the basement construction of Hue Square. As most of the strict anti-epidemic measures have been relaxed on March 15, 2022, it is estimated that the "Hue Square" basement works will be completed by the second quarter of 2022.

In addition, in June 2021, the Group acquired a commercial and residential property located on Shanghai Street, Yau Ma Tei, Kowloon, Hong Kong at a consideration of HK\$183.8 million. The property includes a retail area of approximately 2,000 square feet and a residential area of approximately 16,000 square feet, and is currently fully leased. The property has completed the transaction process in September 2021. The property is located in the central area of Kowloon, near the Yau Ma Tei MTR station, and has great redevelopment value. The Group initially plans to rebuild the property into a commercial and residential property, and the floor area can be increased to 21,600 square feet after the redevelopment. The management believes that the project will contribute to the future earnings and cash flow of the Group, and the Group will finance the development of the project with part of internal cash and part of bank borrowings.

Besides, the Group has regarded its land in Binh Thanh District, Ho Chi Minh City, Vietnam as a land reserve for the time being and will wait for a suitable development opportunity.

Dividends

The board of directors recommends the distribution of a final dividend of HK3 cents per share to each shareholder. Together with the interim dividend of HK3 cents per share for the year, the total dividend for the year is HK6 cents per share.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 31 December 2021 amounted to HK\$439,596,000 (31 December 2020: HK\$454,752,000). The Group's total bank and other borrowings amounted to HK\$123,545,000 (31 December 2020: HK\$8,750,000), of which HK\$123,545,000 (31 December 2020: HK\$8,750,000) was repayable within 1 year/on demand clause and none of them (31 December 2020: none) was repayable from 2 to 5 years.

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

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was not applicable as at 31 December 2021 (31 December 2020: not applicable).

Significant investments held

As at 31 December 2021, the Group has an unlisted investments of HK\$14,419,000 in Hong Kong.

Details of charges

As at 31 December 2021, a hotel property situated in Hong Kong including the related land and building with a net carrying amount of HK\$501,788,000, certain investment properties with a fair value of HK\$141,000,000 and certain rental income generated therefrom were pledged to secure the above bank loans and general banking facilities granted to the Group.

As at 31 December 2021, a property situated in Shanghai Street with carrying amount of HK\$193,205,000 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 depreciation of 1.49% as at 31 December 2021 when compared to the rate as at 31 December 2020. The Group recorded an exchange loss of HK\$534,000 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 2021, the Group’s capital commitments amounted to HK\$38,784,000 (31 December 2020: HK\$4,672,000).

Details of contingent liability

As at 31 December 2021, the Group has no significant contingent liability (31 December 2020: Nil).

Employees and Remuneration Policy

As at 31 December 2021, the Group had approximately 1,030 employees, of which about 90% were situated in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK\$58,521,000 for the year ended 31 December 2021 (31 December 2020: HK\$53,675,000). 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 HK3 cents (2020: HK3 cents) per share and the Register of Members of the Company will be closed for the following periods:

- (a) To ascertain shareholder’s eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Friday 27 May 2022 to Wednesday 1 June 2022, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration before 4:30 p.m. on Thursday 26 May 2022.
- (b) To ascertain shareholder’s entitlement to the proposed final dividend upon the passing of the resolution no. 2 set out in the notice of the Annual General Meeting, the register of members of the Company will be closed from Wednesday 8 June 2022 to Friday 10 June 2022, 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration before 4:30 p.m. on Tuesday 7 June 2022.

The proposed final dividend will be paid to shareholders whose names appear on the Register of Members on Friday 10 June 2022 and the payment date of the dividend is expected to be Friday 24 June 2022.

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 2021.

CORPORATE GOVERNANCE PRACTICES

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

Throughout the financial year ended 31 December 2021, the Company has complied with the code provisions set out in the Code except for code provisions of A.4.1, A.4.2 and A.6.7.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung.

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

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

In respect of code provision A.6.7, except Mr. LAM Chi Kuen, the other two Non-executive Directors did not attend the annual general meeting of the Company held on 11 June 2021 due to their other business commitments.

Further information of the Company's corporate governance practices is set out in the corporate governance report in the 2021 Annual Report to be despatched to the shareholders in late-April 2022.

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 2021.

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 2021 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 assurance 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 2021 and 31 December 2021.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at 1/F, Pentahotel Hong Kong, Tuen Mun, 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong at 3:00 pm on Wednesday 1 June 2022.

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, 25 March 2022

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