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LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED

陸氏集團（越南控股）有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board of directors (the “Board”) of Luks Group (Vietnam Holdings) Company Limited (the “Company”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2024, together with the comparative figures for the corresponding period in 2023. The interim condensed consolidated financial statements have not been audited, but have been reviewed by the Company’s audit committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June 2024 (Unaudited) HK\$'000	2023 (Unaudited) HK\$'000
REVENUE	4	196,396	222,264
Cost of sales		(122,606)	(157,743)
Gross profit		73,790	64,521
Other income and gains, net		10,613	14,614
Selling and distribution expenses		(1,930)	(2,527)
Administrative expenses		(30,359)	(31,554)
Other expenses		(4,711)	(1,007)
Finance costs	5	(1,102)	(2,454)
PROFIT BEFORE TAX	6	46,301	41,593
Income tax expense	7	(11,736)	(11,998)
PROFIT FOR THE PERIOD		34,565	29,595
Attributable to:			
Owners of the parent		34,509	29,729
Non-controlling interests		56	(134)
		34,565	29,595
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	HK6.9 cents	HK5.9 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>34,565</u>	<u>29,595</u>
OTHER COMPREHENSIVE INCOME/(LOSS):		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(54,221)</u>	<u>4,257</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(54,221)</u>	<u>4,257</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u>(19,656)</u>	<u>33,852</u>
Attributable to:		
Owners of the parent	<u>(19,727)</u>	<u>34,121</u>
Non-controlling interests	<u>71</u>	<u>(269)</u>
	<u>(19,656)</u>	<u>33,852</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		742,156	761,665
Investment properties		1,134,248	1,175,219
Properties for development		192,243	194,055
Prepayments, other receivables and other assets		21,209	21,051
Total non-current assets		<u>2,089,856</u>	<u>2,151,990</u>
CURRENT ASSETS			
Inventories		45,184	64,485
Trade receivables	10	34,132	29,076
Prepayments, other receivables and other assets		6,844	8,789
Financial assets at fair value through profit or loss		5,204	5,224
Cash and cash equivalents		497,984	465,369
Total current assets		<u>589,348</u>	<u>572,943</u>
CURRENT LIABILITIES			
Trade payables	11	12,012	11,929
Other payables and accruals		82,486	89,640
Tax payable		23,938	24,866
Total current liabilities		<u>118,436</u>	<u>126,435</u>
NET CURRENT ASSETS		<u>470,912</u>	<u>446,508</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,560,768</u>	<u>2,598,498</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*30 June 2024*

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES	2,560,768	2,598,498
NON-CURRENT LIABILITIES		
Other payables	46,662	43,160
Provisions	2,301	3,066
Deferred tax liabilities	184,404	195,163
Total non-current liabilities	233,367	241,389
Net assets	2,327,401	2,357,109
EQUITY		
Equity attributable to owners of the parent		
Issued capital	5,026	5,026
Reserves	2,345,192	2,374,971
	2,350,218	2,379,997
Non-controlling interests	(22,817)	(22,888)
Total equity	2,327,401	2,357,109

Notes:

1. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the disclosure requirements of Appendix D2 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial statements.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangement</i>

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

- (a) the cement products segment represents the Group's manufacture and sale of cement products for use in the construction industry;
- (b) the property investment segment represents the Group's investments in industrial, commercial and residential premises for their rental income potential and provision of property management and related services;
- (c) the hotel operation segment represents the Group's hotel business;
- (d) the property development segment represents the Group's development and sale of properties; and
- (e) the corporate and others segment represents corporate income and expense items and the Group's sale of electronic products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income is excluded from such measurement.

Information regarding these reportable segments is presented below.

Six months ended 30 June	Cement products		Property investment		Hotel operation		Property development		Corporate and others		Consolidated	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	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:												
Sales to external customers	84,359	108,809	75,117	76,163	28,938	29,059	-	-	7,982	8,233	196,396	222,264
Other income and gains, net	603	448	236	1,155	-	-	3,683	3,674	3	458	4,525	5,735
Total segment revenue	84,962	109,257	75,353	77,318	28,938	29,059	3,683	3,674	7,985	8,691	200,921	227,999
Segment results	(6,849)	(15,767)	60,301	60,307	(4,818)	(4,184)	2,692	2,783	(11,113)	(10,425)	40,213	32,714
<i>Reconciliation:</i>												
Interest income											6,088	8,879
Profit before tax											46,301	41,593
Income tax credit / (expense)	1,679	1,906	(13,415)	(13,904)	-	-	-	-	-	-	(11,736)	(11,998)
Profit for the period											34,565	29,595

4. REVENUE

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
Sale of cement	84,359	108,809
Sale of electronic products	7,982	8,233
Rendering of property management and related services	16,268	16,724
Hotel operation income	28,938	29,059
	137,547	162,825
Revenue from other sources		
Gross rental income	58,849	59,439
Total	196,396	222,264

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	84,359	-	-	-	84,359
Sale of electronic products	-	-	-	7,982	7,982
Property management and related services	-	16,268	-	-	16,268
Hotel and related services	-	-	28,938	-	28,938
Total	84,359	16,268	28,938	7,982	137,547
Geographical markets					
Vietnam	84,359	16,268	-	-	100,627
Hong Kong	-	-	28,938	7,982	36,920
Total	84,359	16,268	28,938	7,982	137,547
Timing of revenue recognition					
Goods transferred at a point in time	84,359	-	1,013	7,982	93,354
Services transferred over time	-	16,268	27,925	-	44,193
Total	84,359	16,268	28,938	7,982	137,547

Disaggregated revenue information for revenue from contracts with customers

For the six months ended 30 June 2023

Segments	Cement products HK\$'000 (Unaudited)	Property investments HK\$'000 (Unaudited)	Hotel operation HK\$'000 (Unaudited)	Corporate and others HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Type of goods or services					
Sale of cement	108,809	-	-	-	108,809
Sale of electronic products	-	-	-	8,233	8,233
Property management and related services	-	16,724	-	-	16,724
Hotel and related services	-	-	29,059	-	29,059
Total	108,809	16,724	29,059	8,233	162,825
Geographical markets					
Vietnam	108,809	16,724	-	-	125,533
Hong Kong	-	-	29,059	8,233	37,292
Total	108,809	16,724	29,059	8,233	162,825
Timing of revenue recognition					
Goods transferred at a point in time	108,809	-	1,308	8,233	118,350
Services transferred over time	-	16,724	27,751	-	44,475
Total	108,809	16,724	29,059	8,233	162,825

5. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on bank loans	-	1,599
Interest on lease liabilities	1,102	855
Total	<u>1,102</u>	<u>2,454</u>

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	87,913	123,590
Cost of services rendered	34,693	34,153
Depreciation of owned assets	18,996	26,550
Depreciation of right-of-use assets	2,069	1,983
Foreign exchange loss/(gain)	3,589	(1,700)
	<u>3,589</u>	<u>(1,700)</u>

7. INCOME TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the current and prior periods. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current charge for the period		
Elsewhere	11,650	12,812
Underprovision in prior years		
Elsewhere	1,894	1,092
Deferred	(1,808)	(1,906)
Total tax charge for the period	<u>11,736</u>	<u>11,998</u>

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

The calculation of basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 502,557,418 (six months ended 30 June 2023: 502,557,418) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for six months ended 30 June 2024 and 2023 as the Group had no potentially dilutive ordinary shares in issue during those periods.

9. DIVIDEND

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interim – HK2 cents (six months ended 30 June 2023: HK2 cents) per ordinary share	10,051	10,051

10. TRADE RECEIVABLES

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

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

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

	30 June	31 December
	2024	2023
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
0 to 30 days	22,654	16,247
31 to 60 days	3,039	3,165
61 to 90 days	2,618	2,728
91 to 120 days	1,637	1,807
Over 120 days	4,184	5,129
Total	34,132	29,076

11. TRADE PAYABLES

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
0 to 30 days	11,814	11,722
Over 120 days	198	207
Total	12,012	11,929

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

In the first half of 2024, global economic and financial conditions remained volatile, and various unfavourable factors existed in the market. The U.S. dollar interest rates continued to remain high, dramatic slowdown of China's economy and real estate market, and the depreciation of the region's currencies, all of which had a negative impact on the region's economy. The Group's main businesses are located in Vietnam, Hong Kong and China. In this unstable economic environment, the Group's various businesses were inevitably being affected in various extent during the period. In particular, the Group's cement business in Vietnam has been facing greater difficulties.

As of the first six months of 2024, although Vietnam's GDP growth recorded 6.4%, the growth drivers mainly came from the rebound in exports and manufacturing sector. Local consumption remained weak. As a result of persisting high interest rates and credit tightening situation, the construction and real estate industries were still in a sluggish state, showing little improvement during the period. In the first half of 2024, affected by the depreciation of the Japanese Yen and the RMB, the Vietnamese Dong also experienced a relatively significant depreciation against the US dollar and the Hong Kong dollar. As of June 30, 2024, the Vietnamese Dong depreciated against the Hong Kong dollar by approximately 4.7% compared to December 31, 2023, and compared with June 30, 2023, it depreciated by approximately 7.7%. Affected by the depreciation, the Group's revenue and profits from Vietnam also recorded a corresponding decrease when they were converted into Hong Kong dollars on the accounts. As the Vietnamese Dong is not a freely circulating currency and the cost of hedging is high, the Group has not adopted any measures to hedge against the depreciation of the Vietnamese Dong. The Group has reduced deposits in Vietnamese Dong since 2023 to reduce the impact of depreciation on the Group's assets.

In the first half of 2024, as the construction and real estate industries in Vietnam were still sluggish, the Group's cement business had a difficult operating environment and continued to suffer loss in the first half of 2024. Although sales continued to shrink, the Group's cement plants strived to control costs, and the Group had made a significant impairment provision for the cement business at the end of last year, reducing future depreciation and thus resulting in a reduction in loss attributable to the Group during the current period compared with the same period last year.

On the other hand, the performance of the Group's Saigon Trade Center remained stable, with revenue similar to the same period last year. However, due to the significant depreciation of the Vietnamese Dong during the period, revenue and profit recorded a corresponding decrease on the accounts when converting into Hong Kong dollar. As for the Group's hotel business in Hong Kong, although the number of visitors to Hong Kong increased significantly by 64% during the period, the Hong Kong hotel industry was unable to continue its strong momentum in 2023 and showing a downward trend starting from Q2 of 2024. The performance of the Group's "Pentahotel Hong Kong Tuen Mun", following the market trend also recorded a slight decline in the first half of 2024, compared to the same period last year.

Looking forward to the second half of 2024, as the real estate and construction industries in Vietnam are still sluggish, it is expected that operations of the Group's cement plants are still difficult in the second half of the year. On the other hand, the rapid decline of China's real estate market, the relatively volatile economy in the region, and the uncertainty of global economic conditions in the second half of the year have all made foreign investors become more cautious when investing in Vietnam. Furthermore, the increase in office supply in Ho Chi Minh City is expected to have a negative impact on the leasing performance of the Group's Saigon Trade Center in the second half of the year. As for the hotel business, affected by the strong Hong Kong dollar and changes in tourist spending patterns, it is estimated that the performance of the Group's hotel business in Hong Kong in the second half of the year may also decline compared to the previous year.

For the six months ended June 30, 2024, the Group's turnover was HK\$196,396,000, a decrease of approximately 11.6% compared to the HK\$222,264,000 recorded in the same period last year. The Group's turnover mainly comes from cement business, property investment and hotel business. Among them, the cement business turnover was HK\$84,359,000, a decrease of approximately 22.5% from HK\$108,809,000 in the same period last year. The turnover of property investment business was HK\$75,117,000, a decrease of approximately 1.4% from HK\$76,163,000 in the same period last year. The hotel business recorded a turnover of HK\$28,938,000, a decrease of approximately 0.4% from HK\$29,059,000 in the same period last year.

In the first half of 2024, the Group recorded an unaudited profit attributable to owners of the parent company of HK\$34,509,000, an increase of approximately 16.1% compared to the unaudited profit attributable to owners of the parent company of HK\$29,729,000 in the same period last year. Basic earnings per share for the first six months of 2024 was approximately HK6.9 cents (the first six months of 2023: HK5.9 cents).

Cement Business

In the first half of 2024, the Group's cement business in Vietnam continued to operate under a difficult environment. According to data from the Vietnam National Cement Association (VNCA), in the first half of 2024, domestic cement sales were approximately 27.5 million tons, a decrease of 3.5% from the first half of 2023. During the period, due to high interest rates and tight credit conditions remained, the real estate market and construction industry were in a downturn, resulting in continued shrinkage in domestic cement demand.

In terms of the export market, affected by the sharp adjustment in China's real estate market, clinker exports to China dropped significantly. Part of Vietnam's cement exports were transferred to markets such as the United States and South Africa. Although the cement export volume could be maintained, the total value dropped significantly. Moreover, due to reduced profit margins in the export market, Vietnamese cement manufacturers would rather turn to dumping cement products locally in Vietnam, creating even more vicious competition in the domestic market. Amid serious oversupply, most Vietnamese cement companies suffered losses in the first half of the year.

In addition, in terms of production costs, Vietnam's inflation has continued to rise, putting pressure on the Group's cement production costs, especially in terms of costs of labour and cement bags, which shown notably increased during the period. In addition, the Vietnamese government has imposed stricter environmental protection standards, and resulted in requiring more resources to be put into environmental protection facilities from the cement plants, which thus added to the burden of cement production costs.

In this difficult operating environment, the Group's cement plants made every effort to prioritize cost control and increase operational efficiency. Despite sluggish sales, the cement plants managed to control costs to the lowest level. As the Group made a significant impairment provision for the cement business at the end of last year, reducing future depreciation and thus resulting in a reduction in loss attributable to the Group during the current period compared with the same period last year.

For the six months ended June 30, 2024, the cement and clinker sales volume of the Group's cement plants was approximately 213,000 tons, a decrease of approximately 17.1% from 257,000 tons in the same period last year. The Group's cement business recorded an after-tax loss of HK\$4,663,000 in the first six months, a decrease of approximately 62% compared with the after-tax loss of HK\$12,272,000 recorded in the same period last year.

Looking forward to the second half of 2024, Vietnam's real estate and construction industries are still weak. Coupled with the continued decline in demand for cement from China and Southeast Asian countries, especially the sluggish real estate market in China, China is more likely to become a cement exporter, and may pose a threat to the already struggling cement exports of Vietnam. It is expected that operations of the Group's Vietnam cement plants will remain difficult in the second half of the year. However, the market is generally predicting that interest rates will begin to fall in Q3 2024 and credits will gradually become easing. The recovery of Vietnam's real estate and construction industries is expected to accelerate as a result. In addition, the Vietnamese government has planned to allocate VND657 trillion (approximately US\$26.8 billion) for public investment in 2024, and most of which are for transportation infrastructure projects. Hopefully, the Vietnamese government will speed up the launch of the projects, and thus can play a strong supporting role in Vietnam's domestic cement demand in the market.

Property Investment

In the first half of 2024, although Vietnam's GDP growth rate reached 6.4%, this was mainly due to the rebound in exports and manufacturing activities. The growth in related economic activities failed to drive an increase in demand for office buildings. On the other hand, affected by high interest rates and uncertainty in the economic environment, Vietnam's overall economic activities were still in a relatively sluggish atmosphere, and foreign investors were still cautious, thus affecting the demand for office space in Ho Chi Minh City. The absorption rate for Grade A office spaces in the CBD appeared to be weaker than last year.

On the other hand, the supply of office spaces in Ho Chi Minh City increased by approximately 10% in the first half of 2024. The new supply caused the vacancy rate of Grade A offices to reach approximately 20% in the second quarter of 2024, the highest level in the past 10 years. In addition, due to improvement of infrastructure and roads, office buildings located in the surrounding areas of Ho Chi Minh City have become more attractive, especially their rents are much cheaper than those of office buildings in the city center. Furthermore, intensified competition has also lowered the market rental rate. Among them, the rental rate of Grade A offices recorded a decrease of approximately 2-3% in the second quarter of 2024.

In the first half of 2024, despite the intensified competition in office leasing market and slowing demand, the Group's performance of Saigon Trade Center in the CBD of Ho Chi Minh City performed stably. As at June 30, 2024, the occupancy rate of the Group's Saigon Trade Center reached 80%, recorded a slight increase from that of 78% as at December 31, 2023. Compared with the same period last year, the average rental rate and operating income also recorded mild growth. However, due to the significant depreciation of the Vietnamese Dong during the period, revenue and profits recorded a slight decrease when converted into Hong Kong dollar on the accounts.

Looking forward to the second half of the year, the supply of office buildings on the market will continue to increase, which will put pressure on the occupancy rate and rent of the Group's Saigon Trade Center. On the other hand, while there are still many uncertainties in Vietnam and the global economy this year, foreign investors may take to a more cautious investment attitude. As such, the demand growth for office spaces may not be enough to absorb the new supply in the market. However, it is estimated that Vietnam's GDP can still maintain a growth rate of over 6% in 2024, and with new foreign investments continue to flow in, which will provide certain support for the long-term demand for office buildings in Ho Chi Minh City. In face of increasing competition, the Group plans to upgrade and renovate Saigon Trade Center in the next few years to maintain its market competitiveness.

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

Hotel Business

According to figures from the Hong Kong Tourism Board, although the number of tourists visiting Hong Kong increased significantly by 64% in the first half of 2024, reaching 21 million, the overall performance of the Hong Kong hotel industry in the first half of 2024 was not as good as expected. Among them, the average length of stay of Hong Kong visitors in the first half of 2024 dropped from 4.9 nights in the first quarter of 2023 to 3.2 nights. In 2023, benefiting from the lifting of epidemic restrictions, a significant increase in inbound tourists from Hong Kong and the resumption of large-scale conferences and events, the overall performance of Hong Kong's hotel industry rebounded strongly in 2023. Although it was able to keep the momentum in Q1 of 2024, the performance of Hong Kong's hotel industry has begun to show a downward trend since Q2 of 2024. According to a report by the Hong Kong Hotels Association, the average daily room rate of Hong Kong's hotel industry fell by 9% in Q2 of 2024 as compared to Q2 of 2023.

The reasons include that many countries, such as Thailand, Singapore and Indonesia, have implemented visa-free or visa-on-arrival measures for Chinese citizens, providing more travel options for mainland Chinese tourists, thereby diverting some of Hong Kong's demand. In addition, the strong Hong Kong dollar has also reduced the willingness of tourists from China and other countries with relatively weak currencies to spend in Hong Kong, and the consumption amount and length of stay have also decreased. On the contrary, it has also led to a significant increase in the number of local Hong Kong residents traveling out to other countries, reducing the habit of spending time in Hong Kong hotels during weekends.

In the first half of 2024, the average occupancy rate of "Pentahotel Hong Kong, Tuen Mun" was 88.2%, which was slightly lower than the 92% in the same period last year. The average daily room rate increased by 4.3% compared with the same period last year. However, if only the second quarter of 2024 is counted, there was a 6% decrease in average daily room rate compared with the second quarter of last year.

For the six months ended June 30, 2024, the hotel business contributed operating income of HK\$28,938,000 to the Group, a slight decrease of 0.4% compared with the same period last year. Profit before depreciation was HK\$6,243,000, a decrease of 5.1% from HK\$6,581,000 in the same period last year. After deducting depreciation, the hotel business recorded a loss of HK\$4,346,000, an increase of 14.2% from the loss of HK\$3,807,000 in the same period last year.

Looking forward to the second half of this year, although the Hong Kong Tourism Board has predicted that the number of visitors to Hong Kong will continue to rise, the overall performance of the Hong Kong hotel industry is still estimated to be on a downward trend. However, the Hong Kong government has budgeted to spend HK\$1.5 billion this year to promote Hong Kong to high-spending tourists, which may play a certain supporting role in the Hong Kong hotel industry. On the other hand, rising inflation and labour supply shortages also pose challenges to the Hong Kong hotel industry. To cope with the current adverse market conditions, the Group's "Pentahotel Hong Kong, Tuen Mun" will strive to improve hotel service quality, strengthen hotel operation efficiency and cost control in the second half of the year.

Property Development

The construction and interior decoration works of the Group's "Hue Plaza" project in Hue Province, Vietnam are expected to be completed in the second half of this year.

The "Hue Plaza" project mainly consists of a boutique hotel with 50 rooms and some retail areas. The hotel, called "LE CARRÉ HUE", is scheduled to come into operation by the end of this year or early 2025. The boutique hotel is in a stage of recruiting the hotel management team and applying for various hotel-related operating approvals.

The Vietnamese government dedicated to promote Vietnam's tourism industry in 2024, including relaxing visa-free countries and simplifying online visa procedures for tourists. As a result, the number of tourists visiting Vietnam increased significantly. According to a report by the General Statistics Office of Vietnam (GSO), Vietnam received more than 8.8 million international tourists in the first half of 2024, an increase of nearly 60% over the same period last year. This number has also exceeded tourists' number before the outbreak of the COVID-19 pandemic in 2019 by 4.1%. The increase in tourists is expected to be beneficial to the Group's "LE CARRÉ HUE" hotel business, which is about to be put into operation.

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

Dividend

The Board of directors resolved to distribute an interim dividend of HK2 cents per share to shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's cash, bank balances and time deposits as at 30 June 2024 amounted to HK\$497,984,000 (31 December 2023: HK\$465,369,000). The Group has no bank and other borrowings as at 30 June 2024 (31 December 2023: Nil).

Significant investments held

As at 30 June 2024, the Group has an unlisted investments of HK\$5,152,000 (31 December 2023: HK\$5,169,000) in Hong Kong.

Details of charges

There was no pledge to the bank as at 30 June 2024.

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 revenue, profit and bank deposits of the cement plants and the Saigon Trade Center. The exchange rate of VND to HKD recorded a depreciation of 4.66% as at 30 June 2024 when compared to the rate as at 31 December 2023. The Group recorded an exchange loss of HK\$3,589,000 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 commitments

As at 30 June 2024, the Group's contractual commitments amounted to HK\$21,010,000 (31 December 2023: HK\$27,903,000).

Details of contingent liabilities

As at 30 June 2024, the Group had no significant contingent liabilities (31 December 2023: Nil).

Employees and Remuneration Policy

As at 30 June 2024, the Group had approximately 870 employees, of which 87% of them was located in Vietnam. The total staff cost (including directors' remuneration) was approximately HK\$31,245,000 for the six-month period ended 30 June 2024. There was no significant change on the Group's remuneration policy as compared to that disclosed on the Group's annual report for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Wednesday, 25 September 2024 to Friday, 27 September 2024, both dates inclusive, during which period no transfer of shares will be affected. In order to qualify for the interim dividend, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Tuesday, 24 September 2024. Cheques for interim dividends will be dispatched to the Shareholders whose names appear on the register of members of the Company on Friday, 27 September 2024 on or before Thursday, 10 October 2024.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the six months ended 30 June 2024.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to attaining good standard of corporate governance practices with an emphasis on a quality Board, better transparency and effective accountability system. The Company adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

During the six months ended 30 June 2024, the Company has complied with the code provisions set out in the CG Code with the exception of code provision B.2.2.

According to code provision B.2.2, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Chairman of the Board was not subject to retirement by rotation. Since the Chairman is responsible for the formulation and implementation of the Company's strategies, which is essential to the stability of the Company's business and thus the Board considers that deviation from the code provision is acceptable.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive directors of the Company, namely Mr. Lam Chi Kuen (Chairman), Ms. Pang Siu Yin and Mr. Wong Hoi Wah. The Audit Committee has reviewed the accounting principles and policies adopted by the Company and discussed with management the internal control and financial reporting matters. The Audit Committee has reviewed and confirmed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024.

CODE ON DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 of the Listing Rules (the “Model Code”) as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the period ended 30 June 2024. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the “black out period” as specified in the Model Code.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

The interim report of the Company for the six months ended 30 June 2024 will be dispatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 22 August 2024

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

* For identification purpose only