



陸氏集團(越南控股)有限公司
LUKS GROUP (VIETNAM HOLDINGS) CO. LTD.

Stock Code : 0366

陸氏

Annual Report
2021

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Corporate Information

Executive Directors

Cheng Cheung
(Chairman and Chief Executive Officer)
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie

Independent Non-Executive Directors

Liu Li Yuan
Liang Fang
Lam Chi Kuen

Company Secretary

Fan Chiu Tat, Martin, B.Soc.Sc., FCCA, HKICPA

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

Auditors

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Principal Share Registrar

Condan Services Limited
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Hong Kong Branch Share Registrar

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

5th Floor, Cheong Wah Factory Building
39-41 Sheung Heung Road
Tokwawan, Kowloon
Hong Kong

Corporate Website

www.luks.com.hk

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).

Chairman's Statement

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 of 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.

Chairman's Statement

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.

Appreciation

I would like to take this opportunity to extend my gratitude to my fellow directors, management and staff members for their contributions to the Group and to our shareholders for their support, confidence and recognition to the Group strategies and direction.

Cheng Cheung

Chairman

25 March 2022

Management Discussion and Analysis

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).

Financial Review (continued)

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.

Environmental Social and Governance Report

This is the Environmental, Social and Governance (“ESG”) Report prepared by the Group pursuant to the Environmental, Social and Governance Reporting Guide provided in Appendix 27 to the Listing Rules on the Stock Exchange (“the Guide”). This report covers our operations in Hong Kong, Vietnam and China for the financial year ended 31 December 2021. As the Group’s cement plant employed 90% of the Group’s total employees and its operation has the most impact on environment, emphasize has been put on the Group’s cement plant in Vietnam based on the materiality principle, while hotel operation and property investment operation have been covered in brief for the relevant aspects involved. The Board has reviewed and approved this ESG Report. This ESG Report addresses all the General Disclosures under each Aspect of the Guide.

Environment

The Group recognizes the importance of adhering to environmental laws and regulations and adopting of proper environmental policies are essential to the sustainability of the corporate growth. The Group’s operations have been strictly following the environmental laws and regulations in their respective countries. The Group’s cement plant in Hue, Vietnam has specifically set up an ISO department, with purposes of formulating the Group’s environmental policies and ensuring the cement operation is in all time complying with the policies. The ISO department also keeps an eye on the latest development of the environmental laws and regulations in Vietnam and to make sure the cement plant is in compliance with the relevant laws and regulations from time to time.

1. Emission

The main environmental issues associated with cement production are the consumption of raw materials and energy, as well as emissions to air. The key polluting substances emitted to air are dust, carbon dioxide (CO₂), nitrogen oxide (NO_x) and sulphur dioxide (SO₂). Other less polluting substances include carbon oxides, polychlorinated dibenzo-p-dioxins and dibenzofurans, total organic carbon, metals, hydrogen chloride and hydrogen fluoride.

Coal consumption is the main source of gas emission in the cement production process. On average, it requires 0.152 ton of coal to produce one ton of clinker. In 2021, the Group’s cement operation consumed 108,906 tons of coal

1.1 Carbon dioxide (CO₂)

CO₂ is released as a by-product during calcination, which occurs in the upper and cooler end of the kiln, or a precalciner, at temperatures of 600-900°C, and results in the conversion of carbonates to oxides. At higher temperatures in the lower end of the kiln, the lime (CaO) reacts with silica, aluminum and iron containing materials to produce minerals in the clinker, an intermediate product of cement manufacture. The clinker is then removed from the kiln for cooling, grinding to fine powder, and mixing with a small fraction (about five percent) of gypsum to create the most common form of cement known as Portland cement.

The Group’s cement plant is operating two production lines, namely C and D lines. In 2021, CO₂ emission measurements for the C and D production line were 43 mg/Nm³ and 129 mg/Nm³ respectively.

Environment (continued)

1. Emission (continued)

1.2 Nitrogen oxide (NO_x)

Nitrogen Oxide (NO_x) is a family of poisonous, highly reactive gases. NO_x is a by-product produced by the clinker burning process under exceptional high temperature. Efficient technical measures are required to reduce its emission in the process. NO_x often appears as a brownish gas and it is a strong oxidizing agent, playing a major role in the atmospheric reaction with volatile organic compounds (VOC) that produces smog on hot summer days

In 2021, NO_x emission measurements for the C and D production line were 582 mg/Nm³ and 481 mg/Nm³ respectively.

1.3 Sulphur dioxide (SO₂)

Sulfur dioxide is an invisible gas with nasty and sharp smell. It reacts easily with other substances to form harmful compounds, such as sulfuric acid, sulfurous acid and sulfate particles. The main source of sulfur dioxide in the air is industrial activity that processes materials containing sulfur such as the electricity generation from coal, oil or gas. Sulfur oxides, mainly SO₂, are generated both from the sulfur compounds in the raw materials and from sulfur in fuels used to fire a preheater.

In 2021, SO₂ emission measurements for the C and D production line were 5.0 mg/Nm³ and 72.0 mg/Nm³ respectively.

1.4 Dust

Dust emissions originate mainly from the raw mills, the kiln system, the clinker cooler, and the cement mills. A general feature of these process steps is that hot exhaust gas or exhaust air is passing through pulverized material resulting in an intimately dispersed mixture of gas and particulates.

In 2021, dust emission measurements for the C and D production line were 24.0 mg/Nm³ and 32.0 mg/Nm³ respectively.

1.5 Water

Waste water discharge is usually limited to surface run off and cooling water only and causes no substantial contribution to water pollution. The storage and handling of fuels is a potential source of contamination of soil and groundwater. Apart from that, the environment can be affected by noise and odors.

Environmental Social and Governance Report

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan

Regarding environmental issues such as emission, dust, noise, water, the Group appoints environmental monitor company every year in performing related measurements on quarterly basis in accordance with respective Vietnam environmental legislation, measurement and analysis as follows:-

Vietnam environmental measurement standards

Appendix 1

| No. | Item | Measurement and Analysis Method |
|------|--|---------------------------------|
| 1 | Air Quality | |
| 1.1 | Air Quality (Dust Content) | TCVN 5067:1995 |
| 1.2 | Amount of Dust | TCVN 5704:1993 |
| 1.3 | NO ₂ | TCVN 6137:2009 |
| 1.4 | SO ₂ | TCVN 5971:1995 |
| 1.5 | CO | ASTM D1945 |
| 1.6 | H ₂ S | MASA Method 701 |
| 2 | Noise, Vibration, Meteorological Observation | |
| 2.1 | Noise | TCVN 7878-2:2010 |
| 2.2 | Vibration | TCVN 6963: 2001 |
| 2.3 | Meteorological Observation (Temperature, Humidity, Wind speed and pressure) | QCVN46:2012/BTNMT |
| 3 | Exhaust Gas | |
| 3.1 | Amount of Dust and Content (CO, NO _x , SO ₂) | TCVN 5977:2009 |
| 4 | Waste Water | |
| 4.1 | pH | TCVN 6492:2011 |
| 4.2 | DO (Dissolved Oxygen) | TCVN 7325:2004 |
| 4.3 | Color | TCVN 6185:2008 |
| 4.4 | Hardness (CaCO ₃) | SMEWW 2340C:2012 |
| 4.5 | TSS (Suspended Solids) | TCVN 6625:2000 |
| 4.6 | COD (Chemical Oxygen Demand) | SMEWW 5220-C:2012 |
| 4.7 | BOD ₅ (Biochemical Oxygen Demand) | TCVN 6001:2008 |
| 4.8 | Fe (Iron) | TCVN 6177:1996 |
| 4.9 | Zn (Zinc) | TCVN 6193:1996 |
| 4.10 | Pb (Lead) | SMEWW 3113B:2012 |

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan (continued)

Vietnam environmental measurement standards

Appendix 1

| No. | Item | Measurement and Analysis Method |
|------|----------------------------------|---------------------------------|
| 4.11 | Cd (Cadmium) | SMEWW 3113B:2012 |
| 4.12 | Mn (Manganese) | SMEWW 3113B:2012 |
| 4.13 | Hg (Mercury) | TCVN 7877:2008 |
| 4.14 | As (Arsenic) | TCVN 6626:2000 |
| 4.15 | Oil, Grease | TCVN 5070:1995 |
| 4.16 | Coliform | TCVN 6187-2: 2009 |
| 4.17 | E. Coli | TCVN 6187-2: 2009 |
| 5 | Surface Water | |
| 5.1 | pH | TCVN 6492:2011 |
| 5.2 | DO (Dissolved Oxygen) | TCVN 7325:2004 |
| 5.3 | Color | TCVN 6185:2008 |
| 5.4 | Hardness (CaCO ₃) | SMEWW 2340C:2012 |
| 5.5 | TSS (Suspended Solids) | TCVN 6625:2000 |
| 5.6 | BOD5 (Biochemical Oxygen Demand) | TCVN 6001:2008 |
| 5.7 | Fe (Iron) | TCVN 6177:1996 |
| 5.8 | Zn (Zinc) | TCVN 6193:1996 |
| 5.9 | Pb (Lead) | SMEWW 3113B:2012 |
| 5.10 | Mn (Manganese) | SMEWW 3113B:2012 |
| 5.11 | Oil, Grease | TCVN 5070:1995 |
| 5.12 | Coliform | TCVN 6187-2: 2009 |
| 5.13 | E. Coli | TCVN 6187-2: 2009 |

All the measurement results are required to compare with respective Vietnam National Standards such as:

1. QCVN 05:2013/BTNMT (National technical regulations on Surrounding Air Quality)
2. QCVN 06:2009/BTNMT (National technical regulations on hazardous substances in ambient air)
3. QCVN 40:2011/BTNMT (National technical regulations on Industrial Wastewater)
4. QCVN 23:2009/BTNMT (National technical regulations on Emissions of Cement Production)
5. QCVN 24:2017/BYT (National technical regulations on permissible levels of noise at workplace)
6. QCVN 26:2017/BYT (National technical regulations on permissible value of microclimate in the workplace)
7. QCVN 27:2017/BYT (National technical regulations on permissible levels of vibration in the workplace)
8. Decision No. 3733/2002/QĐ-BYT (Decision about Workplace environment: 21 occupational health standards, 5 basic principle and 7 Working hygiene parameters)

Environmental Social and Governance Report

Environment (continued)

1. Emission (continued)

1.6 Environmental issues control and future plan (continued)

According to all environmental measurement quarterly report in 2021, the Group's cement plant has complied with all the above-said Vietnam Nation standards and requirements.

In October 2017, the Group's cement plant commissioned an external contractor to install a Continuous Emission Monitoring System ("CEMS") at the plant's production facilities to comply with the environmental laws in Vietnam. The CEMS measures gas flow, dust emission at the plant's grinder and clinker cooling units. Other gas emissions including carbon monoxide, sulphur dioxide, nitrogen oxide, oxygen, and temperature at the plant's kiln units are also monitored by the CEMS. Gas emission information in real-time of 5-minute intervals can be transmitted to the plant's ISO department, the plant's control rooms, and the monitoring centre at the Department of Natural Resources and Environment of Thua Thien Hue Province. The installation was completed in May 2018. Based on the requirements of connection data regulation, the installation is required to be verified by a third party and accordingly and at Letter 1763/STNMT-MT dated 12/08/2020, the Company's Continuous Emission Monitoring System is approved for use. Annually, according to current regulations. The company must hire a third party to verify the equipments.

1.7 Physical Wastes

Apart from the above emission issues, there are some physical wastes arising from daily operations. These physical wastes can be classified as hazardous and non-hazardous nature.

For hazardous waste such as electronic items, used oil and used filter bags, the cement plant has appointed a government approved agent to dispose those hazardous waste. In 2021, the total volume of physical hazardous wastes was 22,990 kg.

For non-hazardous waste, the cement plant classifies the wastes systematically and arranges the wastes in kinds. A service provider has been appointed to collect the wastes. In 2021, the total volume of physical non-hazardous wastes was 100,080 kg.

In regards to the hotel operation: – the hotel does not generate hazardous waste during its business operation and has operated in an environmentally responsible manner in line with the applicable environment protection laws and regulations whenever practicable.

During the reporting year, the hotel was not charged any penalty by EPD.

Environment (continued)

2. Use of Resources

2.1 Coal and Electricity

For the Group's cement plant, the cement production process consumes huge amount of energy. The energy consumptions are mainly coal and electricity. In 2021, the consumption of coal and electricity were 108,906 tons and 78,767,353 kwh respectively.

To reduce electricity consumption, the cement plant has conducted research on the "Waste Heat Recovery ("WHR") Power Systems". The cement plant appointed a Chinese consultancy company to perform a feasibility study on the WHR boiler steam turbine generator system target to be installed in the plant's existing cement production lines. The WHR system utilizes wasted heat currently emitted from the cement production lines. The WHR boilers will generate steam using the wasted heat exhausted from the cement plant, and the steam will be fed into the steam turbine generator to generate electricity. It can reduce power consumption from the national electricity grid which will lead to the reduction of fossil fuel combustion at the national electricity grid's connected power plants.

In 2018, the Group's cement plant has consulted with external contractors to explore the feasibility of incorporating a WHR system to our existing plant, although no formal contract has been entered into. Nevertheless, it has been concluded that for the WHR system to be operated effectively, the operating capacity of certain equipment at the production line D needs to be upgraded. The Group's cement plant then commissioned an external contractor to re-design the preheater and precalciner of workshop D, and to improve the automated process controls. The specifications of the newly-designed equipment was finalised by the plant's engineers and the contractor in 2019. In September 2019, the cement plant signed a contract of installation and modification for D production line with MIS Industrial Services Joint Stock Company at Vietnam. Chinese experts cannot return to Vietnam, so the upgrading has been done by Vietnamese workers since November 2020 and has completed 90% of the work and put into trials running by the end of 2020.

In April, 2021. The company has completed the installation of the intelligent system and is currently testing and adjusting it.

In regards to the investment property operation: – the Group aims to improve efficiency in the consumption of electricity for its Saigon Trade Center and other leasing properties in Vietnam, Hong Kong and China. The lightings in all public areas have gradually been replaced by energy efficient alternatives with longer life spans, such as LED light bulbs. Energy-saving protocols have also been implemented, such as the timely switch-off of air-conditioning system of the premises.

2.2 Water

Water is mainly for machine cooling purpose for the cement plant. In 2021, the cement plant consumed a total a volume of around 88,339 m³ water. Underground water and raining water are the main water source of the cement plant. There was no difficulty in sourcing water during 2021.

Environmental Social and Governance Report

Environment (continued)

2. Use of Resources (continued)

2.3 Packing Material

Cement bag is the major packing material in our cement plant. One cement bag contains 50 kg of cement. In 2021, the cement plant consumed 9,142,714 pieces of cement bag.

3. The Environment and Natural Resources

The procurement of local raw materials forms the basis of the manufacture of cement. The raw materials needed to produce cement (calcium carbonate, silica, alumina and iron ore) are generally extracted from limestone rock, chalk, clayey schist or clay.

The Vietnam Government imposes fees and charges for the use of raw materials. During 2019, the cement plant has paid timely on all charges and fees in accordance with respective decisions issued by Vietnam Government such as mine restoration fund (2463/QD-BTNMT; dated 23/12/2010), mining right charge (3027/QD-BTNMT; dated 25/12/2014), environmental and natural resources tax (44/2017/TT-BTC dated: 12/05/2017)

Regarding the limestone mine exploitation, the respective Government department assists and instructs the cement plant on how to minimize implications from the mine exploitation. At the end of each year, the cement plant is obliged to provide the mine's geographic map to the local Environment department office for record and review. During the year, the cement plant has rented certain land from the local Government for the planting of trees and vegetation as one of the company's policies to improve the environment.

In regards to the hotel operation: – the hotel aims at rationalizing the use of water, electricity, gas, glass bottle, plastic bottle and paper, reducing the volume of wastes and improving waste management. The consumption of energy and resources of the hotel in 2021 were as follows:

Towngas: A total of 3,260,183 MJ of Towngas was used. The hotel is trying the best effort on gas saving by adjusting temperature of the boiler under the weather reporting.

Electricity: A total of 2,865,617 kWh of electricity was used. 99% of bulbs in hotel are being used by LED light. Refer to the Air-conditioner; the hotel is using water cool chiller system in which is environmentally friendly and has greater energy efficiency, better controllability, and longer life. The office equipment (computer and copier) and the light in hotel back office will be turned off after office hour. On the other hand, the electricity in the guest rooms will be turned off if there are no in-house guests. According to the above energy saving procedure, hotel management is keep thinking more energy saving procedure in coming year.

Water: the hotel consumed in total of 32,211 cu.m. in 2021. The management is considering to introduce a measure for the guests to change linen and towel by request if guests stay more than one night.

Environment (continued)

3. The Environment and Natural Resources (continued)

Paper: to reduce paper consumption, the hotel encourages the employee to use recycled paper for printing and copying, double-sided printing and copying.

Glass and Plastic Bottles: The hotel made the best effort to minimizing the impact on the environment by arranging recycling company to collect glasses bottles and plastic bottles for recycle. According to the hotel's records, 871kg of glasses and 649.74kg of plastic were collected by recycling company in 2021.

Solar Panel: It had be completely installed and started using on 13 August 2021. A total of 2,978 kWh of electricity was converted from the Sun energy at the end of 31 December 2021.

Social

1. Employment

As at 31 December 2021, the Group's cement plant had about 889 employees. The basic salary levels for all employees of the cement plant are above the minimum salary requirement in respective areas. All employees in Vietnam have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws.

According to the Vietnam labour law (10/2012/QH13), trade unions have been established in the Group's cement plant in Hue and each of its subsidiaries. The management supports and works closely with the trade unions to exchange and manage labour issues of the local employees.

Besides, the cement plant has signed a collective labour agreement with each trade union in accordance with the Vietnam labour law (10/2012/QH13). The collective labour agreement is a written agreement between a labour collective and the employer in respect of working conditions that both parties have agreed upon through collective negotiation. The signed collective labor agreement has been registered with the provincial state management agency on labour and the Ministry of Labour, War Invalids and Social Affairs office in Hue and Ninh Thuan.

In regards to the investment property operation: – As at 31 December 2021, Saigon Trade Centre had about 26 employees. The base salary level for all employees is above the minimum salary requirement in respective areas. All employees have participated in the social insurance, health insurance and unemployment insurance in accordance with the Vietnam Social and health insurance laws.

In regards to the hotel operation: – recognizing the importance of human capital in supporting our operations, the hotel has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of competency that contribute to achieve the hotel's success. Various communication channels are also in place for the hotel and our colleagues to discuss, respond to and resolve issues of concern. In fact, the hotel firmly commits to gender equality and therefore particularly encourages female participation at managerial and operation levels.

Environmental Social and Governance Report

Social (continued)

1. Employment (continued)

The management believes that employees are important assets for the hotel and remains committed to attracting and retaining talent with diverse backgrounds for achieving sustainable growth. Staff turnover rate among managerial level was 37.5% and among supervisor and lower level staff was 71.8% till 31 December 2021, mainly was on operation level.

The hotel had 72 full-time employees as at 31 December 2021, comprising of 26 males and 46 females. For the office staff, the working hour is from 9 am to 6 pm for a five-day week from Monday to Friday. For the operation staff, their working hours are on shift basis, to be arranged by their respective department head.

The staff benefits include meal, medical, annual leave and other competitive fringe benefits.

2. Health and Safety

The Group has complied with the Vietnam labour law and collective labour agreement on labour safety and hygiene. The Group's cement plant and Saigon Trade Center provides personal protective equipment (such as safety helmets, gloves, ear plugs, eye protection, high-visibility clothing) to the employees where working environment required.

Besides, the cement plant has its own safety team to monitor workplace safety, provide safety training and handle occupational accident. Also, the cement plant has set up cleaning team in each company to maintain the workplace hygiene and cleaning. For labour health, the cement plant arranges medical check-up for all employees twice per annum. There is a regular medical examination every year. However, due to the spread of covid-19 in Vietnam in 2021, to prevent the epidemic, the Company temporarily does not conduct medical examination as usual. Saigon Trade Center also arranges medical check-up for all employees once per annum.

In regards to the hotel operation: – maintaining a safe, healthy and hygienic environment across the operation is the fundamental principle of the hotel, with its obligation extending not only to own employees but also to customers and anyone who legitimately enters our facilities. Adequate arrangements, training courses and guidelines are implemented for promoting occupational health and safety. An office memo on occupational health and safety is issued to each employee as they commence employment.

The hotel proactively identifies potential occupational hazards to reduce staff exposure to accidents. For instance, the restaurant's staff is required to wear anti-skid shoes and anti-cutting gloves to prevent injuries. According to the hotel's records, there was not any work-related fatality but 4 injury cases about sprain, finger cutting and eyebrow hitting by the door were reported, with 16 days sick leave in the financial year ended 31 December 2021.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to providing a safe working environment & protecting employee from occupational hazards during the reporting period.

Social (continued)

3. Development and Training

The Group recognizes the importance of having a skilled workforce to achieve strategic and operational plans and is committed to providing an environment that is conducive to effective performance and promotes training and development opportunities for all staff. The Group's cement plant provides equal opportunity for all staff to develop their knowledge, skills and abilities through a blend of learning methods including mentoring, coaching, on the job learning, courses, conferences and seminars. The training needs of staff will be identified by individual departments and be approved by the General Manager in line with best practice and legislative guidelines.

During the year, 889 employees in 17 functional teams have attended training sessions provided by the Group's cement plant. The trainings mainly cover the topics such as updated industrial safety practices and technical knowledge of the respective departments of the staff.

In regards to the hotel operation: – the hotel also recognized the importance of skilled and professional training to hotel's business growth and future success, as well as the learning and self-enrichment are the principal methods to equip employees with sustainable values. The hotel is responsible for providing opportunities for its employees for continuous improvement. Various training courses for different level and position of employees are regularly conducted and list below:

For instance, the training courses will be provided to the following employees:

- Managerial level: Work Injury Management and EC Insurance Best Practices
- F&B staff: Legal Privacy 101 Training and Kitchen Fire Hazards and Controls
- Security staff: Work Injury Management, EC Insurance Best Practices and Kitchen Fire Hazards and Controls
- Administration staff: Legal Privacy 101 and TrusYou Platform Training
- Housekeeping staff: Legal Privacy 101, Work Injury Management, EC Insurance Best Practices and Housekeeping and Storage Practices Seminar
- Front Office staff: First Aid, ERT Fire Fighter, Legal Privacy 101 and TrustYou Platform Training
- Compulsory training for all associates: Orientation, Fire Safety, Fire Drill and Work Safety

The average training hours for each employee were about 10-12 hours during the reporting year.

Environmental Social and Governance Report

Social (continued)

4. Labour Standards

For the cement operation, all employees of the Group are recruited through the Human Resources Department to ensure they fulfill the job requirements underlying their respective positions. The Group regularly reviews its employment practice and Group's guidelines on staff recruitment to ensure that it is in full compliance with the employment laws and other regulations related to, among other things, prevention of child labour and forced labour. According to the Vietnamese law, the employment of children under the age of 15 is prohibited. In 2021, the youngest employee working in the cement plant was aged 23.

According to the cement plant's human resources record, more than 90% of total employees have Year 9 or higher education background, while 50% of total employees have Year 12 or higher education background in Vietnam. The cement plant provides the ISO and work safety training to all staff after joining the company and also encourages each department to organize appropriate work-skill development training.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to prevention of child and forced labour.

5. Supply Chain Management

For the cement operation, according to the Group's purchasing policy and procedure, prior to the purchase of goods and services, sufficient justification must be presented to demonstrate the need for the goods and services to be procured. The approval from General Manager is required for any acquisition of goods and services.

Based on purchase requisition request(s) provided by user department, the purchasing department will seek for appropriate suppliers and perform quality and price comparison for the General Manager to review and approve. All goods received are required to be inspected by user department.

For production materials procurement, in general there are 2 to 3 qualified suppliers for supplying each type of production material. It can avoid the issue of excessive concentration on single supplier for production material supply. The Group's Quality Assurance Department is required to inspect the quality of each log of production material being received. For supplier selection, purchasing department will make recommendation to the General Manager and the consideration shall be based on pricing, good and service quality, reliability and market goodwill.

In regards to the hotel operation: – the hotel works closely with a number of suppliers in providing a range of hospitality goods, including guestroom consumables, tableware, furniture, and foods and beverages. Most of the hotel's procurements will undergo tender processes. The hotel implements a fair tender process to ensure adequate competition and adopts a series of assessment methods in relation to supplier management to ensure the quality of its supplied products and services. To enhance the hotel's procurement of environmentally responsible items, the management will keep reviewing alternative options to purchase products from organic and/or sustainably managed sources, environmentally superior products, as well as purchase from local or regional companies so as to reduce the environmental impact during the process of manufacturing and transportation.

Social (continued)

6. Product Responsibility

The brand name of the Group's cement products, namely "KIM DINH" has been widely recognized in the local market, especially around the regions of the central Vietnam.

All our clinker and cement products have been awarded by QUACERT and QUATEST2 with the respective Vietnam product standard certificates.

| Product | Product Standard | Original Certificate | Renewed until |
|---------------------------------|--------------------|----------------------|-------------------|
| Clinker | TCVN7024:2013 | 29th October 2021 | 28th October 2024 |
| Portland Cement PCB30 and PCB40 | TCVN6260:2020 | 29th October 2021 | 28th October 2024 |
| Portland Cement PC40 | TCVN2682:2020 | 29th October 2021 | 28th October 2024 |
| Portland Cement Type I, II & V | ASTM C150/C150M-20 | 29th October 2021 | 28th October 2024 |
| Portland Cement PCHSR40 | TCVN6067:2018 | 29th October 2021 | 28th October 2024 |
| Portland Cement PCMSR50 | TCVN6067:2018 | 29th October 2021 | 28th October 2024 |

Also, all our cement products are complied with Vietnam National standards on products, goods and construction materials (QCVN16:2017/BXD)

Furthermore, the Company has been awarded by QUACERT with the certificates of ISO 9001:2015, ISO 14001:2015 and OHSAS 45001:2018, demonstrating that our cement plant has already established a well-recognized management system.

Vietnam Certification Centre (QUACERT) is the National Certification Body of Vietnam established by the Ministry of Science and Technology as a subsidiary of the Directorate of Standards, Metrology and Quality (STAMEQ), to support the state management over standardization. QUACERT performs respective product review every 9 months. All product certificates are required to renew every 3 years.

In regards to the hotel operation: the F&B Department adheres to all relevant legislations, including but not limited to nutritional and food allergy labelling. The quality and hygiene of our cuisines are effectively managed under an extensive food safety manual. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations, which have significant impact on the hotel.

Complaints were usually received about some insects at room and some noise disturbance from other rooms. Once the hotel staff received the cases, they would immediately solve the problem.

Data Privacy: The hotel will only collect personal data for operational needs and clearly inform all customers or persons about the information collected will be kept confidential, securely and accessible by designated personnel only. During the reporting year, there was no substantiated complaints received concerning breaches of customer privacy and losses of customer data.

Environmental Social and Governance Report

Social (continued)

7. Anti-Corruption

The Group has developed an anti-corruption policy statement which is applied to all personnel of the Group (including direct and indirect subsidiaries and controlled affiliates, individually and collectively). All personnel are responsible for complying with this policy and all applicable anti-corruption laws in the performance of their duties for the Group.

In regards to the hotel operation: – the hotel does not tolerate any forms of corruption or malpractice such as bribery, money laundering, extortion and fraud. Professional conduct at the workplace is outlined in the employee handbook. During the reporting year, there was no reported case of corruption or bribery.

The Group is not aware of any material non-compliance with the relevant laws and regulations relating to bribery, extortion, fraud and money laundering during the reporting period.

8. Community Investment

In 2021, the Group has developed Corporate Social Responsibility policy as our guideline for community investment and donation in Vietnam for its cement operation. The purpose of this policy is to establish a fair, consistent and transparent process by which requests for support for eligible charities will be managed. Our community investment focuses on poverty group, child education, medical and health services.

In 2021, the Group's cement plant continued to have contributed to the Huong Tra Community fund for the local people health improvement and "Operation Smile", an organization for reconstruction surgery for Vietnam's children facial. In addition, the company has provided support to disadvantaged children.

In regards to the hotel operation: – there was neither volunteer service nor donation due to covid-19 in year 2021.

Corporate Governance Practices

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 of The Stock of Hong Kong Limited (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 separate 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 LAM Chi Kuen, the other two Independent Non-executive Directors did not attend the annual general meeting of the Company held on 11 June 2021 due to their other business commitments.

The Board

The key responsibilities of the Board include, among other things, formulating the Group's overall strategies, setting management targets, regulating internal controls and financial management, and supervising the management's performance while the day-to-day operations and management are delegated by the Board to the senior management of the Company. The Board operates in accordance with established practices (including those relating to reporting and supervision), and is directly responsible for formulating the Company's corporate governance guidelines.

The Board currently comprises 8 directors, namely Mdm. CHENG Cheung (the Chairman), Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan Monsie as executive directors, Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. LAM Chi Kuen as independent non-executive directors. Their biographical details are presented on page 34 of this annual report. The Company and its directors (including independent non-executive directors) have not entered into any service contract with a specified length of service. However, all independent non-executive directors shall be appointed for a specific term of one year until the forthcoming annual general meeting and shall be reappointed after being re-elected at the annual general meeting.

All directors, except the Chairman, are subject to retirement by rotation and re-election at annual general meetings of the Company at least every three years. The Company has received a confirmation of independence from each of the independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. LAM Chi Kuen considers them to be independent.

Corporate Governance Practices

The Board (continued)

Board Meetings

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, and to review and approve the Group's annual and interim results. At least 14 days' notice of a Board meeting is normally given to all Directors who are given an opportunity to include matters for discussion in the agenda. The Company Secretary assists the Chairman in preparing the agenda for meetings and ensures that all applicable rules and regulations are complied with. The agenda and the accompanying Board papers are normally sent to all Directors at least 3 days before the intended date of a regular Board meeting. All minutes are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Each Director is required to make disclosure of his/her interests or potential conflict of interests, if any, in any proposed transactions or issues discussed by Directors at the Board's meetings. A Director shall abstain from voting and not be counted in the quorum at meetings for approving any contract or arrangement in which such Director or any of his/her associates have a material interest.

Every Director is entitled to have access to Board papers and related materials and has access to the advice and services of the Company Secretary. The Board and each Director also have separate and independent access to the Company's senior management.

The Board convened eight meetings during the financial year ended 31 December 2021. Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung, Mr. FAN Chiu Tat, Martin and Ms. LUK Sze Wan, Monsie attended all board meetings, and Mr. LIU Li Yuan, Mr. LIANG Fang and Mr. LAM Chi Kuen attended four board meetings.

Appointment, re-election and removal of Directors

The Board is responsible for the appointment and removal of Directors.

According to the Company's Bye-laws, at each annual general meeting, one-third of the Directors shall retire from office by rotation. If the number of Board members is not a multiple of three, then the number nearest to but not greater than one-third shall retire by rotation. Retired Directors are eligible for re-election at each annual general meeting.

According to the Company's Bye-laws, any director in his first year of appointment is subject to re-election by shareholders at the forthcoming annual general meeting.

All Independent Non-executive Directors are appointed for a specific term of one year and are subject to re-election at each annual general meeting.

The Board (continued)

Induction and Continuous Professional Development

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he/she is sufficiently aware of his/her responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, the Company has been encouraging the Directors and senior executives to enroll in a wide range of professional development courses and seminars relating to the Listing Rules, companies ordinance/act and corporate governance practices organized by professional bodies, independent auditors and/or chambers in Hong Kong so that they can continuously update and further improve their relevant knowledge and skills.

According to the records maintained by the Company, the following Directors received training with an emphasis on the roles, functions and duties of a director of a listed company in compliance with the new requirement of the Revised Code on continuous professional development during the year ended 31 December 2021, by:-

- (A) reading newspapers, journals and updates relating to the economy, general business, real estate, laws, rules and regulations, etc.
- (B) attending seminars and/or conference and/or forum

Mr. LIU Li Yuan has attained (A) above, whereas Mdm. CHENG Cheung, Mr. LUK Yan, Mr. LUK Fung, Ms. LUK Sze Wan Monsie, Mr. FAN Chiu Tat Martin, Mr. LAM Chi Kuen and Mr. LIANG Fang, have attained both (A) and (B) above.

Directors' and Officers' Liability Insurance and Indemnity

The Company has arranged appropriate Directors' and Officers' Liability Insurance for its Directors and officers covering the costs, losses, expenses and liabilities arising from the performance of their duties. The insurance policy covers legal action against its Directors and officers to comply with the requirement of the Code. During the year, no claim was made against the Directors and officers of the Company.

Chairman and Chief Executive Officer

The role of the Chairman is to lead and oversee the functioning of the Board and to ensure the establishment of a sound strategic direction of the Group. The Chief Executive Officer is responsible for implementing the Board's approved strategies and policies, and supervising the day-to-day operations.

According to code provision A.4.1, the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Currently, both the roles of Chairman and Chief Executive Officer of the Company are performed by Mdm. CHENG Cheung. Mdm. CHENG is a founder of the Company and is in charge of the overall management of the Company. The Company considers that the combination of the roles of Chairman and Chief Executive Officer can promote the efficient formulation and implementation of the Company's strategies which will enable the Group to seize business opportunities efficiently and promptly. The Company considers that through the supervision of its Board and its independent non-executive directors, checks and balances exist so that the interests of the shareholders are adequately and fairly represented.

Corporate Governance Practices

Board Committees

The Board currently has three principal board committees, which are the audit committee, the remuneration committee and the nomination committee.

Audit Committee

The Company has set up an Audit Committee, comprised solely of all three independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan, and Mr. LAM Chi Kuen. Mr. LIANG Fang is the chairman of the Audit Committee. All members of the Audit Committee have many years of finance and business management experience and expertise.

The main responsibilities of the Audit Committee are to review the financial statements and the auditor's reports and monitor the integrity of the financial statements. Other responsibilities include the appointment of auditor, approval of the auditor's remuneration, discussion of audit procedures and any other matters arising from the above. The Audit Committee is also charged with the overseeing the financial reporting system and internal control procedures and their effectiveness.

In 2021, the audit committee met twice and all members attended both meetings. During the year, the Audit Committee performed the works as summarized below:

- (i) reviewed and recommended 2020 final results, audit findings and draft final results announcement for the Board's approval;
- (ii) reviewed and considered various accounting issues and new accounting standards and their financial impacts;
- (iii) reviewed and discussed on the Management Discussion and Analysis, and different business segments' performances, contributions and prospects;
- (iv) reviewed and discussed the cashflow situation of the Group;
- (v) discussed the final dividend to be declared;
- (vi) considered the audit fee for the Year 2021;
- (vii) reviewed and recommended 2021 interim results, audit findings, draft management discussion and analysis section of the interim report for the Board's approval;
- (viii) reviewed and recommended the Report on Internal Control for the Board's approval.

Board Committees (continued)

Remuneration Committee

The Company has set up a Remuneration Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent nonexecutive directors of the Company and Mdm. Cheng Cheung, the Chairman of the Company. Mr. LIU Li Yuan is the chairman of the remuneration committee.

The primary responsibilities of the Remuneration Committee include, among other things, determining the remuneration packages of all executive directors and senior management, making recommendations to the Board on the remuneration of nonexecutive directors, reviewing and approving performance-based remuneration, ensuring that no director or any of his associates is involved in deciding his own remuneration, making recommendations to the board of directors on the Company's policy and structure for remuneration of employees, including salaries, incentive schemes and other stock plans.

In 2021, the Remuneration Committee met once. All members attended all meetings. During the year, the Remuneration Committee performed the works as summarized below:

- (i) reviewed remuneration packages of all senior management;
- (ii) reviewed and recommended the existing policy and structure for the Company's staff, including salary, share options scheme and other incentive scheme;
- (iii) reviewed the existing policy and structure for the remuneration of Directors;
- (iv) reviewed and recommended revision of the existing remuneration packages of the Executive Directors;
- (v) reviewed remuneration of the independent non-executive directors.

At present, remunerations of the senior management of the Company mainly consist of fixed monthly salary. Certain senior management is also awarded with a performance-linked annual bonus, which is tied to the attainment of key performance indicators targets. The remuneration of non-executive directors is determined with reference to the prevailing market conditions and workload of being non-executive directors and members of the board committees of the Company.

Nomination Committee

The Company has set up a Nomination Committee, comprised of Mr. LIANG Fang and Mr. LIU Li Yuan being independent nonexecutive directors of the Company and Mdm. Cheng Cheung, the Chairman of the Company. Mdm. Cheng Cheung is the chairman of the nomination committee.

The primary responsibilities of the Nomination Committee include, among other things, reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board, selecting or making recommendations to the Board on the selection of individuals nominated for directorships, assessing the independence of independent non-executive directors, making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the chief executive; and, reviewing the Committee's terms of reference and its own effectiveness and recommending to the Board from time to time any necessary changes.

Corporate Governance Practices

Board Committees (continued)

Nomination Committee (continued)

Board Diversity Policy

The Company has adopted a written board diversity policy which sets out the approach to achieve and maintain diversity on the Board. The Board recognizes the benefits of a diverse Board with members possessing a balance of skills, experience, knowledge and expertise which complement the effectiveness and business success of the Group. Pursuant to the Company's board diversity policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge, expertise and length of service. All Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, having regard to the benefits of diversity of the Board.

The Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and make recommendation to the Board.

Director Nomination Policy

The Nomination Committee leads the process and makes recommendations for appointments to the Board, whether as additional appointment or to fill up the casual vacancy of directorship as and when they arise, in the light of the business development and requirements of the Company.

In evaluating and selecting candidate(s) for directorship, the Nomination Committee considers the criteria of nomination and appointment of the directors as sets out in the director nomination policy of the Company, which include but not limited to the character and integrity; skills and expertise; professional and educational backgrounds; potential time commitment for the board and/or committee responsibilities; and the elements of the board diversity policy of the Company etc. If the nomination process yields one or more desirable candidates, the Nomination Committee will rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable). The Nomination Committee will then make recommendation to the Board to appoint the appropriate person among the candidates nominated for directorship. Suitable candidate(s) shall be appointed by the Board in accordance with the bye-laws of the Company and the Listing Rules.

In case of re-appointments of members of the Board at general meetings of the Company, the Nomination Committee will review the overall contribution and service to the Company of the retiring Director and his/her level of participation and performance on the Board, as well as whether the retiring Director continues to meet the nomination and appointment criteria as set out in the director nomination policy of the Company, prior to making recommendations to the Board for its consideration and recommendations to the shareholders of the Company.

In 2021, the Nomination Committee met once. Mdm. CHENG Cheung, Mr. LIU Li Yuan and Mr. LIANG Fang attended all meetings. During the year, the Nomination Committee reviewed the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board. The Nomination committee also reviewed the independency of all independent non-executive directors, and the re-appointment of directors.

Corporate Governance Functions

The Board is responsible for performing the following corporate governance duties as required under the CG Code:

- (i) to develop and review the Company's policies and practices on corporate governance;
- (ii) to review and monitor the training and continuous professional development of the Directors and senior officers of the Group;
- (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (iv) to develop, review and monitor the codes of conduct applicable to employees and the Directors; and
- (v) to review the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

During the Year, the Board considered the following corporate governance matters: – including review of the compliance with the CG Code; and review of the effectiveness of the risk management and internal control systems of the Group through the Audit Committee.

Dividend Policy

The Company has adopted a written dividend policy setting out the principles for the Board to determine the appropriate amount of dividend to be distributed. The board may from time to time pay to the Company's shareholders the interim dividends, as well as the final dividends which is however subject to shareholders' approval in the Annual General Meeting. In deciding whether to declare dividends and in determining the dividend amount, the board shall take into consideration the performance, financial position, liquidity, implementation of business plans, debt service requirements, operating expenses, budgets, funding for new investments and acquisitions, appropriate reserves and working capital, among others, of the Company and its subsidiaries, as well as the general business and economic conditions. The payment of dividends by the Company is also subject to the restrictions and conditions under the laws of Bermuda, the bye-laws of the Company and other applicable laws and regulations the Company is subject to from time to time.

The Board may from time to time review and amend the dividend policy as it deems fit and necessary.

Directors' Securities Transactions

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its own code. All Directors have confirmed, following specific enquiry that they have complied with the Model Code throughout the year ended 31 December 2021. Formal notifications were sent by the Company to all Directors reminding them not to deal with the securities of the Company during the "black out period" as specified in the Model Code.

Corporate Governance Practices

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibility, with the support from the Finance and Accounting Department, to prepare the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards. The Directors, having made appropriate enquiries, are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern. Accordingly, the Directors have prepared the consolidated financial statements on a going concern basis. The Directors are aware of the requirements under the applicable Listing Rules and statutory regulations with regard to the timely and proper disclosure of price sensitive information, announcements and financial disclosures and authorizes their publication as and when required.

Auditor's Remuneration

Messrs. Ernst & Young has been re-appointed as the Company's auditor at the annual general meeting of 2021 until the conclusion of the next annual general meeting.

For the year ended 31 December 2021, amounts of HK\$2,340,000 and HK\$345,000 were paid to Ernst & Young for their audit service and non-audit services respectively.

Internal Control

The Board recognizes its responsibility for maintaining an adequate system of internal control to safeguard the Group's assets and shareholders' interests.

Internal control, including a defined management structure with limits of authority, is designed to help achieve business objectives, safeguard assets against unauthorized use, and maintain proper accounting records for the provision of reliable financial information for internal use or for publication. The system is set up to provide reasonable, but not absolute, assurance against material mis-statement or loss and to manage rather than eliminate risks of failure in operational systems and achievement of the Group's objectives.

Management maintains and monitors the system of controls on an ongoing basis.

During 2021, based on the evaluations made by management, the Audit Committee was satisfied that nothing has come to its attention to cause the Audit Committee to believe that the system of internal control is inadequate, and there is an ongoing process to identify, evaluate and manage significant risks faced by the Group.

Shareholders' Rights

The Board and management shall ensure Shareholders' rights and all Shareholders are treated equitably and fairly. Pursuant to the Bye-laws, any Shareholder entitled to attend and vote at a general meeting of the Company is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Shareholders holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition. In addition, Shareholders holding not less than one-twentieth of the total voting rights or not less than 100 Shareholders may submit a written request to the Company stating the resolution intended to be proceeded at the annual general meeting. Any vote of Shareholders at a general meeting must be taken by poll (other than procedural matters). Voting results are posted on the websites of the Company and The Stock Exchange of Hong Kong Limited ("SEHK") on the day of the general meeting. The memorandum of association of the Company and Bye-laws are available on the websites of the Company and SEHK. Detailed procedures for the Shareholders to convene a special general meeting, putting forward proposals at a general meeting and proposing a person for election as a Director are also available on the website of the Company.

Communication With Shareholders

The Board has established various channels of communication, with the objective of enabling the Shareholders to assess the Company's overall performance, exercise their rights in an informed manner and engage actively with the Company.

The Company regards its Shareholders' meeting as an important means of communication with the Shareholders in which the Shareholders will be able to have an open dialogue with the Board. Board members, in particular, the Chairmen of the Board Committees and appropriate management executives are available to answer questions of the Group's business at the annual general meetings. The Company's auditor also attends the Company's annual general meetings and addresses queries from the Shareholders relating to the conduct of the audit and the preparation and content of its auditor's reports.

Apart from holding Shareholders' meeting, the Company also endeavours to maintain effective communication with all Shareholders through other channels such as publication of annual and interim reports, announcements and circulars so as to provide extensive information on the Group's activities, business strategies and developments, and financial position. Such information is also available on the websites of the Company and the SEHK. Shareholders are also provided with contact details of the Company, such as telephone hotline, fax number, email address and postal address, to enable them to make any queries or comments on the Company at any time.

Investor Relations

The Company pursues a proactive policy of promoting investor relations and communications with the Shareholders. To this end, the Company maintains an open dialogue with the Shareholders and investors through the Company's financial reports, press releases, road shows, investors' meetings and general meetings that may be convened, as well as making available all the disclosures submitted to SEHK to provide regular and timely public disclosures on the Company's operating performance and corporate developments.

Report of the Directors

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2021.

Principal Activities

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 December 2021 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 45 to 125.

An interim dividend of HK3 cents per ordinary share was paid on 8 October 2021. The directors recommend the payment of a final dividend of HK3 cents per ordinary share in respect of the year to shareholders on the register of members on 10 June 2022.

Summary Financial Information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 128. This summary does not form part of the audited financial statements.

Property, Plant and Equipment and Investment Properties

Details of movements in the property, plant and equipment, and investment properties of the Company and the Group during the year are set out in notes 13 and 14 to the financial statements respectively. Further details of the Group's investment properties are set out on page 126.

Share Capital

Details of movements in the Company's share capital during the year are set out in notes 27 to the financial statements.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 29 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 December 2021, the Company's reserves available for distribution, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to approximately HK\$687,054,000 of which HK\$15,077,000 has been proposed as a final dividend for the year.

Major Customers and Suppliers

In the year under review, sales to the Group's five largest customers accounted for approximately 47% of the total sales for the year and sales to the largest customer included therein amounted to approximately 19%. Purchases from the Group's five largest suppliers accounted for approximately 43% of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 12%.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or five largest suppliers.

Directors

The directors of the Company during the year were:

Executive directors:

Cheng Cheung
Luk Yan
Fan Chiu Tat, Martin
Luk Fung
Luk Sze Wan, Monsie

Independent non-executive directors:

Liu Li Yuan
Liang Fang
Lam Chi Kuen

The Company has received annual confirmations of independence from Messrs. Liang Fang, Liu Li Yuan and Lam Chi Kuen and as at the date of this report still considers them to be independent.

Report of the Directors

Directors' and Senior Management's Biographies

Madam Cheng Cheung, aged 81, is Chairman and CEO of the Company, and a member of the Company's Remuneration Committee and Nomination Committee. Madam Cheng has been with the Group for over 44 years. She is mainly responsible for the overall strategic planning of the Group. She also holds directorship in various subsidiaries of the Group. Madam Cheng is the mother of Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Luk Yan, aged 57, is an Executive Director of the Company. He is the General Manager of Luks Land (Vietnam) Limited, a wholly-owned subsidiary of the Group and is responsible for the Group's property investment and management in Vietnam. He has been with the Group for 32 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, an elder brother of Mr. Luk Fung and Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Mr. Fan Chiu Tat, Martin, aged 55, is an Executive Director and the company secretary of the Company. He graduated from The University of Hong Kong. He is a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Fan is also the financial controller of the Company. He has been with the Group for 32 years. He also holds directorship in various subsidiaries of the Group. He currently serves as an Independent Non-Executive Director of Hong Kong Johnson Holdings Company Limited.

Mr. Luk Fung, aged 53, is an Executive Director of the Company. He is a holder of a MBA degree from The Chinese University of Hong Kong. He has years of experience in the financial services industry prior to joining the Group. He is the General Manager of Luks Cement (Vietnam) Limited, a wholly-owned subsidiary of the Group and is responsible for the development of the cement business of the Group. He has been with the Group for 22 years. Mr. Luk also holds directorship in various subsidiaries of the Group. He is a son of Madam Cheng Cheung, a younger brother of Mr. Luk Yan and an elder brother of Ms. Luk Sze Wan, Monsie, who are all Executive Directors of the Company.

Ms. Luk Sze Wan, Monsie, aged 45, is an Executive Director of the Company. Ms. Luk holds a Bachelor of Arts Degree from The University of Hong Kong. She has been working for the Group for over 15 years. She has been holding the position of the Investor Relations Director, being responsible for investor relations of the Group. Ms. Luk is also in charge of the hotel development project of the Group. She also holds directorship in various subsidiaries of the Group. She is the daughter of Madam Cheng Cheung and the younger sister of Mr. Luk Yan and Mr. Luk Fung, who are all Executive Directors of the Company.

Mr. Liang Fang, aged 67, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liang is a holder of a MBA degree from the Massachusetts Institute of Technology of the United States of America. He has been working in the IT business for a number of years.

Mr. Liu Li Yuan, aged 70, is an Independent Non-Executive Director of the Company and also a member of the Company's Audit Committee, Remuneration Committee and Nomination Committee. Mr. Liu is a graduate with a Diploma from the Faculty of Law of The University of Beijing. He is currently a director of a property investment and management company in Mainland China.

Mr. Lam Chi Kuen, aged 68, is an Independent Non-Executive Director and a member of the Audit Committee of the Company. Mr. Lam has years of experience in auditing, finance and accounting fields. He currently serves as an Independent Non-Executive Director of China Cinda Asset Management Company Limited. He was formerly a senior adviser and partner of Ernst & Young. He was awarded with a Higher Diploma in Accounting. He is a member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Permitted Indemnity Provision

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year.

The Company has taken out and maintained Directors' liability insurance throughout the year, which provides appropriate cover for the Directors of the Group.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

The Directors' fees are subject to shareholders' approval at general meetings. The Directors' remuneration is determined by the Remuneration Committee of the Company. Particulars of the Director's remuneration are set out in note 8 to the financial statements.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' Interest in Competing Business

As at 31 December 2021, none of the Directors or the substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group, or has any other conflict of interests with the Group.

Report of the Directors

Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares

At 31 December 2021, the interests and short positions of the directors and chief executive in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

| Name of director | Notes | Number of shares held, capacity and nature of interest | | | | Total | Percentage of the Company's issued share capital |
|----------------------|-------|--|--------------------------------|--------------------------------|----------------------------|-------------|--|
| | | Directly Beneficially owned | Family interest held by spouse | Through controlled corporation | Through Trustee of a Trust | | |
| Cheng Cheung | (a) | 21,288,800 | – | 36,912,027 | – | 58,200,827 | 11.58 |
| Luk Yan | (b) | 3,070,800 | 174,000 | – | 272,824,862 | 276,069,662 | 54.93 |
| Luk Fung | (b) | 3,229,600 | – | – | 272,824,862 | 276,054,462 | 54.93 |
| Luk Sze Wan, Monsie | (b) | 1,300,000 | – | – | 272,824,862 | 274,124,862 | 54.55 |
| Fan Chiu Tat, Martin | | 1,500,000 | – | – | – | 1,500,000 | 0.30 |

Notes:

- (a) Madam Cheng Cheung had a beneficial interest in CC (Holdings) Limited, which held 36,912,027 shares of the Company at the end of the reporting period.
- (b) The interests disclosed by Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie under the heading "Through Trustee of a Trust" in the above table refer to the same shares held by Luks Family (PTC) Limited, as trustee of The Luks Family Trust. Each of Mr. Luk Yan, Mr. Luk Ngai, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie was the beneficiary of The Luks Family Trust. The shareholdings of Mr. Luk Ngai and Luks Family (PTC) Limited were disclosed in the below section referring to Substantial Shareholders' interests in shares.

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2021, none of the directors or chief executive had registered an interest or short position in the shares or underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Rights to Acquire Shares

At no time during the year were rights to acquire benefits by means of the acquisition of shares in the Company granted to any director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

Share Option Schemes

At the AGM of the Company held on 29 May 2018, the shareholders of the Company approved the adoption of share option scheme. Unless otherwise terminated or amended, the share option scheme will remain in force for ten years from the date of adoption.

From the adoption date to 31 December 2021, no share options were granted under the share option scheme. Particulars are disclosed in note 28 to the financial statements.

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

At 31 December 2021, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

| Name | Capacity and nature of interest | Number of ordinary shares held | Percentage of the Company's issued share |
|---------------------------|---|--------------------------------|--|
| CC (Holdings) Limited | Directly beneficially owned | 36,912,027 | 7.34 |
| Luks Family (PTC) Limited | Directly beneficially owned | 272,824,862 | 54.29 |
| Luk Ngai (Note) | Directly beneficially owned and through Trustee of a Trust | 276,214,862 | 54.96 |

Note: Mr. Luk Ngai's interests included a personal interest of 3,390,000 shares of the Company and as one of the beneficiaries together with Mr. Luk Yan, Mr. Luk Fung and Ms. Luk Sze Wan, Monsie of the 272,824,862 shares of the Company held by Luks Family (PTC) Limited Limited (being trustee of The Luks Family Trust).

Save as disclosed above, as at 31 December 2021, no person, other than the directors of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in shares and underlying shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Report of the Directors

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 Wednesday 1 June 2022.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Cheng Cheung

Chairman
Hong Kong

25 March 2022

Independent Auditor's Report



To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Luks Group (Vietnam Holdings) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 45 to 125, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Independent Auditor’s Report

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p><i>Estimation of fair value of investment properties</i></p> <p>The Group holds a portfolio of investment properties situated in Vietnam, Hong Kong and Mainland China for rental earning purpose. Such investment properties are measured at fair value at the end of each reporting period and the aggregate carrying amount of these investment properties was HK\$1,209 million as at 31 December 2021.</p> <p>Significant estimation is required to determine the fair values of investment properties, which reflect market conditions at the end of the reporting period. Management engaged external valuers to perform valuations on these investment properties at the end of the reporting period and in the absence of current prices in an active market for similar properties, the external valuers considered information from a variety of sources such as estimated rental value of the relevant properties and made assumptions about discount rates and term yields.</p> <p>Disclosures in relation to the estimation of fair values of investment properties are included in notes 3 and 14 to the consolidated financial statements.</p> | <p>Our audit procedures to assess the valuations of investment properties included the following:</p> <ul style="list-style-type: none"> • obtaining and reviewing the valuation reports prepared by the external valuers engaged by the Group; • assessing the external valuers’ qualifications, experience and expertise and considering their objectivity and independence; • involving our internal valuation specialists to assist us to assess the valuation methodologies applied and evaluate the key assumptions and estimates adopted in the valuations, including performing benchmarking on the value of the investment properties to other comparable properties; • comparing the property-related inputs used in the valuations with underlying documentation, such as lease agreements; and • assessing the adequacy of the disclosures on the valuation of the investment properties. |

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Key audit matters (continued)

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <i>Impairment assessment of the hotel operation</i> | |
| <p>The Group has a hotel operation in Hong Kong (the "Hotel Operation"), of which the segment assets mainly consist of a hotel property (the "Hotel Property") with a net carrying amount before current year impairment of HK\$525 million (including the related leasehold land, building, furniture, fixtures and office equipment) as at 31 December 2021.</p> <p>At the end of the reporting period, there was an indicator of impairment for the Hotel Property due to the continuous losses recorded by the Hotel Operation. Management performed an impairment assessment of the Hotel Property and determined its recoverable amount based on the fair value less costs of disposal.</p> <p>During the year, impairment of HK\$17 million was made against the Hotel Property.</p> <p>Management engaged an external valuer to perform the fair value estimation of the Hotel Property. The impairment assessment of the Hotel Property is significant to our audit due to (i) the materiality of the net carrying amount of Hotel Property; and (ii) the determination of the fair value less costs of disposal of the Hotel Property is dependent on a range of estimates such as estimated occupancy rates, estimated future cash flows and discount rate.</p> <p>Disclosures in relation to the impairment assessment of the Hotel Operation is included in notes 3, 6 and 13 to the consolidated financial statements.</p> | <p>Our audit procedures to evaluate the recoverable amount of the Hotel Property included the following:</p> <ul style="list-style-type: none">• obtaining and reviewing the valuation report prepared by the external valuer engaged by the Group;• assessing the external valuer's qualifications, experience and expertise and considering its objectivity and independence;• involving our internal valuation specialists to assist us to assess the valuation methodology applied and the key estimates and assumptions adopted in the valuation; and• evaluating the estimated costs of disposal prepared by management. |

Independent Auditor's Report

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

To the shareholders of Luks Group (Vietnam Holdings) Company Limited

(Incorporated in Bermuda with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. CHUNG Ho Ling.

Ernst & Young

Certified Public Accountants

27/F, One Taikoo Place

979 King's Road

Quarry Bay, Hong Kong

25 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|---------------------|------------------|
| REVENUE | 5 | 513,230 | 528,495 |
| Cost of sales | | (359,257) | (376,504) |
| Gross profit | | 153,973 | 151,991 |
| Other income and gains | 5 | 18,628 | 10,945 |
| Fair value gains on investment properties, net | 14 | 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 | 7 | (2,872) | (1,887) |
| PROFIT BEFORE TAX | 6 | 115,132 | 93,233 |
| Income tax expense | 10 | (30,540) | (33,042) |
| PROFIT FOR THE YEAR | | 84,592 | 60,191 |
| Attributable to: | | | |
| Owners of the parent | | 84,669 | 61,511 |
| Non-controlling interests | | (77) | (1,320) |
| | | 84,592 | 60,191 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 12 | | |
| Basic and diluted | | HK16.8 cents | HK12.2 cents |

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

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

Consolidated Statement of Financial Position

31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 999,094 | 1,067,425 |
| Investment properties | 14 | 1,209,170 | 1,181,820 |
| Properties for development | 16 | 219,952 | 27,459 |
| Prepayments, other receivables and other assets | 19 | 23,081 | 1,935 |
| Total non-current assets | | 2,451,297 | 2,278,639 |
| CURRENT ASSETS | | | |
| Inventories | 17 | 69,119 | 58,276 |
| Trade receivables | 18 | 35,892 | 36,824 |
| Prepayments, other receivables and other assets | 19 | 28,647 | 8,981 |
| Financial assets at fair value through profit or loss | 20 | 14,477 | 57 |
| Cash and cash equivalents | 21 | 439,596 | 454,752 |
| Total current assets | | 587,731 | 558,890 |
| CURRENT LIABILITIES | | | |
| Trade payables | 22 | 18,461 | 9,228 |
| Other payables and accruals | 23 | 78,852 | 84,800 |
| Interest-bearing bank and other borrowings | 24 | 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

31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------|------------------|
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,782,945 | 2,706,041 |
| NON-CURRENT LIABILITIES | | | |
| Other payables | 23 | 41,775 | 40,372 |
| Provisions | 25 | 3,262 | 3,058 |
| Deferred tax liabilities | 26 | 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 | 27 | 5,026 | 5,026 |
| Reserves | 29 | 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 |

Cheng Cheung
Director

Luk Sze Wan, Monsie
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

| | | Attributable to owners of the parent | | | | | | | | | | |
|---|--|--------------------------------------|-----------|-----------------|--------------|-----------------|----------------|-------------------|-------------------|------------------|-----------------|------------------|
| | | Share | | Capital | | Property | | Exchange | | Non- | | |
| Notes | | Issued | premium | Contributed | redemption | Capital | revaluation | fluctuation | Retained | Total | controlling | Total |
| | | capital | account | surplus | reserve | reserve | reserve | reserve | profits | HK\$'000 | interests | equity |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | | (note 27) | | (note 29(b)) | (note 29(c)) | (note 29(d)) | | | | | | |
| At 1 January 2020 | | 5,053 | 738,496 | 175,009 | 703 | - | 24,173 | (492,137) | 1,999,461 | 2,450,758 | (28,288) | 2,422,470 |
| Profit/(loss) for the year | | - | - | - | - | - | - | - | 61,511 | 61,511 | (1,320) | 60,191 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | - | 1,086 | - | 1,086 | 1,003 | 2,089 |
| Total comprehensive income/(loss) for the year | | - | - | - | - | - | - | 1,086 | 61,511 | 62,597 | (317) | 62,280 |
| Share premium reduction | | 36 | (738,496) | 738,496 | - | - | - | - | - | - | - | - |
| Shares repurchased and cancelled | | 27 | (27) | - | 27 | - | - | - | (3,343) | (3,343) | - | (3,343) |
| 2019 final dividend | | 11 | - | - | - | - | - | - | (15,159) | (15,159) | - | (15,159) |
| 2020 interim dividend | | 11 | - | (10,105) | - | - | - | - | - | (10,105) | - | (10,105) |
| At 31 December 2020 | | 5,026 | - | 903,400* | 730* | - | 24,173* | (491,051)* | 2,042,470* | 2,484,748 | (28,605) | 2,456,143 |
| At 1 January 2021 | | 5,026 | - | 903,400 | 730 | - | 24,173 | (491,051) | 2,042,470 | 2,484,748 | (28,605) | 2,456,143 |
| Profit/(loss) for the year | | - | - | - | - | - | - | - | 84,669 | 84,669 | (77) | 84,592 |
| Other comprehensive income for the year: | | | | | | | | | | | | |
| Exchange differences on translation of foreign operations | | - | - | - | - | - | - | 22,199 | - | 22,199 | (145) | 22,054 |
| Total comprehensive income for the year | | - | - | - | - | - | - | 22,199 | 84,669 | 106,868 | (222) | 106,646 |
| Acquisition of non-controlling interests | | - | - | - | - | (6,371) | - | - | - | (6,371) | 6,371 | - |
| 2020 final dividend | | 11 | - | (15,077) | - | - | - | - | - | (15,077) | - | (15,077) |
| 2021 interim dividend | | 11 | - | (15,077) | - | - | - | - | - | (15,077) | - | (15,077) |
| At 31 December 2021 | | 5,026 | - | 873,246* | 730* | (6,371)* | 24,173* | (468,852)* | 2,127,139* | 2,555,091 | (22,456) | 2,532,635 |

* These reserve accounts comprise the consolidated reserves of HK\$2,550,065,000 (2020: HK\$2,479,722,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 115,132 | 93,233 |
| Adjustments for: | | | |
| Finance costs | 7 | 2,872 | 1,887 |
| Interest income | 5 | (12,183) | (9,166) |
| Dividend income from financial assets at fair value through profit or loss | 5 | (414) | – |
| Fair value gains on investment properties, net | 14 | (32,868) | (9,052) |
| Gain on disposal of items of property, plant and equipment, net | 5 | (300) | (4) |
| Depreciation of property, plant and equipment | 6 | 67,684 | 65,968 |
| Loss on disposal of investment properties | 6 | 1,308 | – |
| Impairment losses on items of property, plant and equipment | 6 | 16,732 | – |
| Amortisation of properties for development | 6 | 1,121 | 1,104 |
| Depreciation of right-of-use assets | 6 | 4,062 | 7,052 |
| Impairment/(reversal of impairment) of trade receivables | 6 | 586 | (137) |
| Fair value loss on financial assets at fair value through profit or loss | 6 | 356 | – |
| | | 164,088 | 150,885 |
| Increase in properties for development | | (193,205) | – |
| Decrease/(increase) in inventories | | (9,973) | 10,085 |
| Decrease/(increase) in trade receivables | | 846 | (4,094) |
| Decrease/(increase) in prepayments, other receivables and other assets | | (22,730) | 5,285 |
| Increase/(decrease) in trade payables | | 9,117 | (1,383) |
| Decrease in other payables and accruals | | (7,812) | (24,325) |
| Increase in rental deposits | | 1,175 | – |
| Increase/(decrease) in provisions | | 194 | (560) |
| Cash generated from/(used in) operations | | (58,300) | 135,893 |
| Interest paid | | (2,872) | (1,887) |
| Hong Kong profits tax (paid)/refund | | 7 | (21) |
| Overseas taxes paid | | (28,674) | (20,679) |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | (89,839) | 113,306 |

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | | (89,839) | 113,306 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest received | | 12,183 | 9,166 |
| Dividend received | | 414 | – |
| Decrease/(increase) in time deposits with original maturity of over three months when acquired | | 13,077 | (52,615) |
| Additions to investment properties | | – | (87) |
| Purchases of items of property, plant and equipment | | (13,509) | (18,186) |
| Proceeds from disposal of items of property, plant and equipment | | 636 | 4,077 |
| Purchases of financial assets at fair value through profit or loss | | (14,776) | – |
| NET CASH FLOWS USED IN INVESTING ACTIVITIES | | (1,975) | (57,645) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 138,520 | – |
| Repayment of bank loans | | (23,725) | (7,500) |
| Principal portion of lease payments | 30 | (576) | (843) |
| Dividends paid | | (30,154) | (25,264) |
| Repurchase of shares | 27 | – | (3,343) |
| NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES | | 84,065 | (36,950) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (7,749) | 18,711 |
| Cash and cash equivalents at beginning of year | | 279,706 | 258,624 |
| Effect of foreign exchange rate changes, net | | 5,670 | 2,371 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 277,627 | 279,706 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | 21 | 192,713 | 95,550 |
| Non-pledged time deposits with original maturity of less than three months when acquired | | 84,914 | 184,156 |
| Non-pledged time deposits with original maturity of over three months when acquired | | 161,969 | 175,046 |
| Cash and cash equivalents as stated in the statement of financial position | 21 | 439,596 | 454,752 |
| Less: Non-pledged time deposits with original maturity of over three months when acquired | | (161,969) | (175,046) |
| Cash and cash equivalents as stated in the statement of cash flows | | 277,627 | 279,706 |

Notes to Financial Statements

31 December 2021

1. Corporate and Group Information

Luks Group (Vietnam Holdings) Company Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal office of the Company is located at 5/F, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") were involved in the following principal activities:

- manufacture and sale of cement
- property investment and provision of property management and related services
- property development
- sale of electronic products
- hotel operation

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Luks Family (PTC) Limited, which is incorporated in British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|--|----------|---|
| | | | Direct | Indirect | |
| Luks Holdings (BVI) Limited | British Virgin Islands/ Hong Kong | US\$2 | 100 | – | Investment holding |
| Luks Industrial Company Limited | Hong Kong | HK\$168,048,482 | – | 100 | Property investment, investment holding and hotel operation |
| Luks Industrial (Bao An) Company Limited* | People's Republic of China ("PRC") | HK\$39,000,000 | – | 100 | Property investment |
| Luks Electrical Appliance Manufacturing Limited | Hong Kong | HK\$300,000 | – | 100 | Sale of electronic products |
| Luks Vietnam Company Limited | British Virgin Islands/ Hong Kong | US\$3 | 100 | – | Investment holding |

1. Corporate and Group Information (continued)

Information about subsidiaries (continued)

Particulars of the Company's principal subsidiaries are as follows: (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|---|---|--|----------|------------------------------------|
| | | | Direct | Indirect | |
| Luks Timber (Vietnam) Limited | Vietnam | VND15,715,698,000 | – | 100 | Manufacture and sale of plywood |
| Luks Cement Company Limited | British Virgin Islands/ Hong Kong | US\$50,000 | – | 100 | Investment holding |
| Luks Cement (Vietnam) Limited | Vietnam | VND751,329,773,000 | – | 100 | Manufacture and sale of cement |
| Luks Land Company Limited | British Virgin Islands/ Hong Kong | US\$100 | – | 100 | Investment holding |
| Luks Land (Vietnam) Limited | Vietnam | VND193,639,051,000 | – | 100 | Property investment and management |
| Luks Land Development Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| Luks Land Investments Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| Thanh Phat Investment and Construction Company Limited | Vietnam | VND35,000,000,000 | – | 85 | Property development |
| Luks Realty Development Limited | British Virgin Islands/ Hong Kong | US\$1 | – | 100 | Investment holding |
| Luks New Property Solution Company Limited | Mongolia development | US\$100,000 | – | 80 | Property |

* Registered as a wholly-foreign-owned enterprise under PRC law

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements

31 December 2021

2.1 Basis of Preparation

These 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. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

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.

2.1 Basis of Preparation (continued)

Basis of consolidation (continued)

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.

2.2 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 HKFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2</i> |
| Amendment to HKFRS 16 | <i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i> |

The nature and the impact of the 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.

Notes to Financial Statements

31 December 2021

2.2 Changes in Accounting Policies and Disclosures (continued)

- (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.

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|--|
| Amendments to HKFRS 3 | <i>Reference to the Conceptual Framework¹</i> |
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i> |
| HKFRS 17 | <i>Insurance Contracts²</i> |
| Amendments to HKFRS 17 | <i>Insurance Contracts^{2,5}</i> |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current^{2,4}</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies²</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates²</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction²</i> |
| Amendments to HKAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use¹</i> |
| Amendments to HKAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract¹</i> |
| Annual Improvements to HKFRSs 2018-2020 | Amendments to HKFRS 1, HKFRS 9 Illustrative Examples accompanying HKFRS 16, and HKAS 41 ¹ |

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Notes to Financial Statements

31 December 2021

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Amendments to HKAS 12 narrow the scope of the initial recognition exception 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 and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but not Yet Effective Hong Kong Financial Reporting Standards

(continued)

Annual Improvements to HKFRSs 2018-2021 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.
- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Summary of Significant Accounting Policies

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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2.4 Summary of Significant Accounting Policies (continued)

Business combinations and goodwill (continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its investment properties and equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 Summary of Significant Accounting Policies (continued)

Fair value measurement (continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, properties for development, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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2.4 Summary of Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of revalued property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged.

On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Owned assets

| | |
|--|----------------------|
| Buildings | Over the lease terms |
| Leasehold improvements | 15% – 20% |
| Plant and machinery | 4% – 15% |
| Furniture, fixtures and office equipment | 10% – 20% |
| Motor vehicles | 7% – 25% |

Right-of-use assets

| | |
|----------------|----------------------|
| Leasehold land | Over the lease terms |
| Motor vehicles | 25% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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2.4 Summary of Significant Accounting Policies (continued)

Property, plant and equipment and depreciation (continued)

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents buildings, structures, plant and machinery and other items of property, plant and equipment under construction or installation, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction or installation during the period of construction or installation. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

For a transfer from investment properties to owner-occupied properties or inventories, the deemed cost of a property for subsequent accounting is its fair value at the date of change in use. If a property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under "Property, plant and equipment and depreciation" for owned property and/or accounts for such property in accordance with the policy stated under "Right-of-use assets" for property held as a right-of-use asset up to the date of change in use, and any difference at that date between the carrying amount and the fair value of the property is accounted for as a revaluation in accordance with the policy stated under "Property, plant and equipment and depreciation" above. For a transfer from inventories to investment properties, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Properties for development

Properties for development are stated at the lower of cost and net realisable value and comprise land costs, construction costs, borrowing costs, professional fees and other costs directly attributable to such properties incurred during the development period.

Properties for development are classified as current assets unless the construction period of the relevant property development project is expected to complete beyond the normal operating cycle. On completion, the properties are transferred to completed properties held for sale.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

When the right-of-use assets relate to interests in leasehold land held as properties for development, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "Properties for development". When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for "Investment properties".

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2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Group as a lessee (continued)

b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in other payables and accruals.

c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

2.4 Summary of Significant Accounting Policies (continued)

Leases (continued)

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases. At the commencement date, the cost of the leased asset is capitalised at the present value of the lease payments and related payments (including the initial direct costs), and presented as a receivable at an amount equal to the net investment in the lease. The finance income on the net investment in the lease is recognised in the statement of profit or loss so as to provide a constant periodic rate of return over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Initial recognition and measurement (continued)

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

2.4 Summary of Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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2.4 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets (continued)

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 Summary of Significant Accounting Policies (continued)

Impairment of financial assets (continued)

General approach (continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

- Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
- Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
- Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, rental deposits and interest-bearing bank and other borrowings.

Notes to Financial Statements

31 December 2021

2.4 Summary of Significant Accounting Policies (continued)

Financial liabilities (continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

2.4 Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 Summary of Significant Accounting Policies (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

(a) Sale of cement and other products

Revenue from the sale of cement and other products is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the cement and other products.

(b) Provision of property management and related services

Revenue from the provision of property management and related services is recognised over the scheduled period on a straight-line basis as the customer simultaneously receives and consumes the benefits provided by the Group.

(c) Provision of hotel and related services

Revenue from the provision of hotel services is recognised upon the provision of services and/or over the scheduled period.

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2.4 Summary of Significant Accounting Policies (continued)

Revenue recognition (continued)

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfer control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.4 Summary of Significant Accounting Policies (continued)

Share-based payments (continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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2.4 Summary of Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability only when they have been approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

2.4 Summary of Significant Accounting Policies (continued)

Foreign currencies (continued)

The functional currencies of certain overseas subsidiaries are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all the fair value of the commercial property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

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3. Significant Accounting Judgements and Estimates (continued)

Judgements (continued)

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Whether the presumption that investment properties stated at fair value are recovered through sale is rebutted in determining deferred tax

The Group has investment properties located in Mainland China, Vietnam and Hong Kong which are measured at fair value. Investment property is property held to earn rentals or for capital appreciation or both. In considering whether the presumption made in HKAS 12 Income Taxes that an investment property measured at fair value will be recovered through sale is rebutted in determining deferred tax, the Group has developed certain criteria in making that judgement, such as whether an investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time or through sale.

The presumption is rebutted only in the circumstances that there is sufficient evidence such as historical transactions, future development plans and management's intention to demonstrate that the investment property is held with the objective to consume substantially all of the economic benefits over time, rather than through sale. Continuous assessments on the presumption will be made by management at each reporting date.

3. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or, in the absence of comparable market transactions, discounted cash flow projections based on estimates of future cash flows and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows of the asset, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

- (a) current prices in an active market for properties of a different nature, condition or location, adjusted to reflect those differences;
- (b) recent prices of similar properties on less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and
- (c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2021 was HK\$1,209,170,000 (2020: HK\$1,181,820,000). Further details, including the key assumptions used for fair value measurement, are given in note 14 to the financial statements.

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4. 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.

4. Operating Segment Information (continued)

(a) 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 5) | | | | | | | | | | | | |
| 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 |
| Segment assets | 677,741 | 678,781 | 1,543,749 | 1,492,544 | 530,056 | 554,282 | 221,555 | 29,176 | 65,927 | 82,746 | 3,039,028 | 2,837,529 |
| Total assets | | | | | | | | | | | 3,039,028 | 2,837,529 |
| Segment liabilities | 101,075 | 88,413 | 369,215 | 250,170 | 6,866 | 13,447 | 12,214 | 12,110 | 17,023 | 17,246 | 506,393 | 381,386 |
| Total liabilities | | | | | | | | | | | 506,393 | 381,386 |
| Other segment information | | | | | | | | | | | | |
| Depreciation and amortisation | 42,299 | 40,623 | 3,853 | 3,946 | 25,559 | 25,395 | 1,122 | 1,105 | 34 | 3,055 | 72,867 | 74,124 |
| Capital expenditure | 12,414 | 14,078 | 1,449 | 3,238 | 363 | 899 | - | - | 24 | 58 | 14,250 | 18,273 |
| Impairment/(reversal of impairment) of trade receivables | 442 | (147) | 132 | - | 12 | 10 | - | - | - | - | 586 | (137) |
| Fair value gains on investment properties, net | - | - | (32,868) | (9,052) | - | - | - | - | - | - | (32,868) | (9,052) |
| Loss on disposal of investment properties | - | - | 1,308 | - | - | - | - | - | - | - | 1,308 | - |
| Fair value loss on financial assets at fair value through profit or loss | - | - | 356 | - | - | - | - | - | - | - | 356 | - |
| Gain on disposal of items of property, plant and equipment, net | (70) | - | (230) | - | - | (4) | - | - | - | - | (300) | (4) |
| Impairment of property, plant and equipment | - | - | - | - | 16,732 | - | - | - | - | - | 16,732 | - |

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4. Operating Segment Information (continued)

(b) Geographical information

(i) Revenue from external customers

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------|------------------|------------------|
| Vietnam | 438,814 | 466,272 |
| Hong Kong | 60,427 | 50,563 |
| Mainland China | 13,989 | 11,660 |
| | 513,230 | 528,495 |

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

(ii) Non-current assets

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

The non-current asset information above is based on the locations of the assets.

4. Operating Segment Information (continued)

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.

5. Revenue, Other Income and Gains

An analysis of the Group's revenue 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 |
| | 396,951 | 414,051 |
| Revenue from other sources | | |
| Gross rental income from investment property | 116,279 | 114,444 |
| | 513,230 | 528,495 |

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5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2021

| Segments | Cement products HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Corporate and others HK\$'000 | Total HK\$'000 |
|---|-----------------------------|---------------------------------|-----------------------------|----------------------------------|-------------------|
| Types of goods or services | | | | | |
| Sale of cement | 310,302 | - | - | - | 310,302 |
| Sale of electronic products | - | - | - | 12,600 | 12,600 |
| Property management and related services | - | 33,045 | - | - | 33,045 |
| Hotel and related services | - | - | 41,004 | - | 41,004 |
| Total revenue from contracts with customers | 310,302 | 33,045 | 41,004 | 12,600 | 396,951 |
| Geographical markets | | | | | |
| Vietnam | 310,302 | 33,045 | - | - | 343,347 |
| Hong Kong | - | - | 41,004 | 12,600 | 53,604 |
| Total revenue from contracts with customers | 310,302 | 33,045 | 41,004 | 12,600 | 396,951 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 310,302 | - | 4,770 | 12,600 | 327,672 |
| Services transferred over time | - | 33,045 | 36,234 | - | 69,279 |
| Total revenue from contracts with customers | 310,302 | 33,045 | 41,004 | 12,600 | 396,951 |

5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

For the year ended 31 December 2020

| Segments | Cement products HK\$'000 | Property investment HK\$'000 | Hotel operation HK\$'000 | Corporate and others HK\$'000 | Total HK\$'000 |
|---|-----------------------------|---------------------------------|-----------------------------|----------------------------------|-------------------|
| Types of goods or services | | | | | |
| Sale of cement | 334,880 | – | – | – | 334,880 |
| Sale of electronic products | – | – | – | 11,844 | 11,844 |
| Property management and related services | – | 35,718 | – | – | 35,718 |
| Hotel and related services | – | – | 31,609 | – | 31,609 |
| Total revenue from contracts with customers | 334,880 | 35,718 | 31,609 | 11,844 | 414,051 |
| Geographical markets | | | | | |
| Vietnam | 334,880 | 35,718 | – | – | 370,598 |
| Hong Kong | – | – | 31,609 | 11,844 | 43,453 |
| Total revenue from contracts with customers | 334,880 | 35,718 | 31,609 | 11,844 | 414,051 |
| Timing of revenue recognition | | | | | |
| Goods transferred at a point in time | 334,880 | – | 2,451 | 11,844 | 349,175 |
| Services transferred over time | – | 35,718 | 29,158 | – | 64,876 |
| Total revenue from contracts with customers | 334,880 | 35,718 | 31,609 | 11,844 | 414,051 |

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5. Revenue, Other Income and Gains (continued)

Revenue from contracts with customers (continued)

(i) Disaggregated revenue information (continued)

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Sale of cement | 7 | 46 |
| Property management and related services | 2,598 | 2,470 |
| Hotel and related services | 21 | 70 |
| | 2,626 | 2,586 |

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of cement and other products

The performance obligation is satisfied upon delivery of the cement and other products and payment is generally due within 30 to 60 days from delivery, where the bank guarantee is normally required for the cement customer.

Property management and related services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Property management and related service contracts are for periods of varied years, or are billed based on the time incurred.

Hotel and related services

For hotel services, the performance obligation is satisfied over time as services are rendered and security deposits are normally required before rendering the services. Hotel services are billed based on the time incurred or with payment in advance when reservations of room are made. For hotel-related services, the performance obligation is satisfied upon delivery of food, beverages and/or services, and the services are billed based on the time as incurred.

5. Revenue, Other Income and Gains (continued)

Other income and gains

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| 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 |
| | 18,628 | 10,945 |

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6. Profit Before Tax

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

| | Notes | 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** | 13 | 67,684 | 65,968 |
| Depreciation of right-of-use assets** | 13 | 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 (note 8))**: | | | |
| Wages and salaries*** | | 57,873 | 52,991 |
| Pension scheme contributions**** | | 648 | 684 |
| | | 58,521 | 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* | 18 | 586 | (137) |
| Impairment of property, plant and equipment* | 13 | 16,732 | – |

* These items are included in "other expenses" on the face of the consolidated statement of profit or loss.

** For the year ended 31 December 2021, depreciation and employee benefit expense of HK\$99,850,000 (2020: HK\$96,587,000) are included in "cost of sales" on the face of the consolidated statement of profit or loss.

*** Wage subsidies of total HK\$5,867,000 granted from the Employment Support Scheme under Anti-Epidemic Fund for the use of paying wages of employees from June to November 2020 had been received during the year ended 31 December 2020. Around HK\$3,297,000 and HK\$2,570,000 were recognised in "administrative expenses" and "cost of sales" respectively and had been offset with the employee benefit expenses. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. There are no unfulfilled conditions or contingencies relating to this grant.

**** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

7. 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 |
| | 2,872 | 1,887 |

8. Directors' Remuneration

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Fees | 812 | 824 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 8,885 | 9,048 |
| Discretionary bonuses | – | 566 |
| Pension scheme contributions | 72 | 72 |
| | 8,957 | 9,686 |
| | 9,769 | 10,510 |

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8. Directors' Remuneration (continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--------------|------------------|------------------|
| Liang Fang | 100 | 100 |
| Liu Li Yuan | 100 | 100 |
| Lam Chi Kuen | 100 | 100 |
| | 300 | 300 |

(b) Executive directors

| | Fees HK\$'000 | Salaries, allowances and benefits in kind HK\$'000 | Discretionary bonuses HK\$'000 | Pension scheme contributions HK\$'000 | Total remuneration HK\$'000 |
|----------------------|------------------|--|--------------------------------------|--|-----------------------------------|
| 2021 | | | | | |
| Cheng Cheung | 100 | 1,943 | – | – | 2,043 |
| Luk Yan | 100 | 2,187 | – | 18 | 2,305 |
| Luk Fung | 112 | 2,080 | – | 18 | 2,210 |
| Fan Chiu Tat, Martin | 100 | 1,925 | – | 18 | 2,043 |
| Luk Sze Wan, Monsie | 100 | 750 | – | 18 | 868 |
| | 512 | 8,885 | – | 72 | 9,469 |
| 2020 | | | | | |
| Cheng Cheung | 100 | 2,079 | – | – | 2,179 |
| Luk Yan | 100 | 2,194 | 566 | 18 | 2,878 |
| Luk Fung | 124 | 2,076 | – | 18 | 2,218 |
| Fan Chiu Tat, Martin | 100 | 1,936 | – | 18 | 2,054 |
| Luk Sze Wan, Monsie | 100 | 763 | – | 18 | 881 |
| | 524 | 9,048 | 566 | 72 | 10,210 |

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2020: Nil).

9. Five Highest Paid Employees

The five highest paid employees during the year included five (2020: five) directors, details of whose remuneration are set out in note 8 above.

10. Income Tax

Hong Kong profits 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 are 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%.

| | Note | 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 | 26 | (4,253) | 4,703 |
| Total tax charge for the year | | 30,540 | 33,042 |

For the year ended 31 December 2021, the weighted average applicable tax rate was 21.0% (2020: 23.0%). The change in the weighted average applicable tax rate was caused by changes in the profitability of the Group's subsidiaries in the respective jurisdictions.

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10. Income Tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries/jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Profit before tax | 115,132 | 93,233 |
| Tax at the statutory tax rates | 24,200 | 21,432 |
| Lower tax rates enacted by local authority | (220) | (187) |
| Adjustments in respect of current tax of previous periods | 3,005 | 56 |
| Temporary difference not recognised | (687) | 172 |
| Income not subject to tax | (10,724) | (6,546) |
| Expenses not deductible for tax | 7,754 | 11,453 |
| Tax losses utilised | – | (791) |
| Tax losses not recognised | 7,222 | 7,473 |
| Others | (10) | (20) |
| | 30,540 | 33,042 |

11. 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 |
| | 30,154 | 25,182 |

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.

12. Earnings Per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amount 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.

13. Property, Plant and Equipment

| | Right-of-use assets | | | Owned assets | | | | | | | Total | Total |
|---|---------------------|----------------|----------|--------------|------------------------|---------------------|--|----------------|--------------------------|-----------|-----------|----------|
| | Leasehold land | Motor vehicles | Total | Buildings | Leasehold improvements | Plant and machinery | Furniture, fixtures and office equipment | Motor vehicles | Construction in progress | Total | | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| 31 December 2021 | | | | | | | | | | | | |
| At 1 January 2021 | | | | | | | | | | | | |
| Cost | 131,904 | 1,545 | 133,449 | 591,966 | 21,029 | 916,963 | 34,926 | 28,771 | 26,521 | 1,620,176 | 1,753,625 | |
| Accumulated depreciation | (12,474) | (1,278) | (13,752) | (95,602) | (8,623) | (523,697) | (23,220) | (21,306) | - | (672,448) | (686,200) | |
| Net carrying amount | 119,430 | 267 | 119,697 | 496,364 | 12,406 | 393,266 | 11,706 | 7,465 | 26,521 | 947,728 | 1,067,425 | |
| At 1 January 2021, net of accumulated depreciation | 119,430 | 267 | 119,697 | 496,364 | 12,406 | 393,266 | 11,706 | 7,465 | 26,521 | 947,728 | 1,067,425 | |
| Additions | - | 970 | 970 | 222 | - | 1,361 | 866 | - | 10,831 | 13,280 | 14,250 | |
| Depreciation provided during the year | (3,748) | (314) | (4,062) | (18,215) | (2,763) | (39,540) | (5,380) | (1,786) | - | (67,684) | (71,746) | |
| Impairment | - | - | - | (16,732) | - | - | - | - | - | (16,732) | (16,732) | |
| Disposal | - | - | - | - | - | - | (19) | (317) | - | (336) | (336) | |
| Exchange realignment | 1,928 | - | 1,928 | (2,455) | - | 6,744 | 16 | 471 | (471) | 4,305 | 6,233 | |
| At 31 December 2021, net of accumulated depreciation and impairment | 117,610 | 923 | 118,533 | 459,184 | 9,643 | 361,831 | 7,189 | 5,833 | 36,881 | 880,561 | 999,094 | |
| At 31 December 2021: | | | | | | | | | | | | |
| Cost | 137,321 | 2,515 | 139,836 | 589,733 | 21,029 | 971,985 | 34,735 | 28,466 | 36,881 | 1,682,829 | 1,822,665 | |
| Accumulated depreciation and impairment | (19,711) | (1,592) | (21,303) | (130,549) | (11,386) | (610,154) | (27,546) | (22,633) | - | (802,268) | (823,571) | |
| Net carrying amount | 117,610 | 923 | 118,533 | 459,184 | 9,643 | 361,831 | 7,189 | 5,833 | 36,881 | 880,561 | 999,094 | |

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13. Property, Plant and Equipment (continued)

| | Right-of-use assets | | | Owned assets | | | | | | | |
|---------------------------------------|----------------------------|----------------------------|-------------------|-----------------------|------------------------------------|---------------------------------|--|----------------------------|--------------------------------------|-------------------|-------------------|
| | Leasehold land HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 | Buildings HK\$'000 | Leasehold improvements HK\$'000 | Plant and machinery HK\$'000 | Furniture, fixtures and office equipment HK\$'000 | Motor vehicles HK\$'000 | Construction in progress HK\$'000 | Total HK\$'000 | Total HK\$'000 |
| 31 December 2020 | | | | | | | | | | | |
| At 1 January 2020 | | | | | | | | | | | |
| Cost | 135,203 | 1,545 | 136,748 | 590,034 | 20,785 | 918,150 | 32,089 | 28,692 | 17,922 | 1,607,672 | 1,744,420 |
| Accumulated depreciation | (6,473) | (974) | (7,447) | (76,726) | (5,819) | (488,149) | (19,987) | (17,271) | - | (607,952) | (615,399) |
| Net carrying amount | 128,730 | 571 | 129,301 | 513,308 | 14,966 | 430,001 | 12,102 | 11,421 | 17,922 | 999,720 | 1,129,021 |
| At 1 January 2020, net of | | | | | | | | | | | |
| accumulated depreciation | 128,730 | 571 | 129,301 | 513,308 | 14,966 | 430,001 | 12,102 | 11,421 | 17,922 | 999,720 | 1,129,021 |
| Additions | 92 | - | 92 | - | 253 | 5,538 | 3,165 | 650 | 8,580 | 18,186 | 18,278 |
| Depreciation provided during the year | (6,748) | (304) | (7,052) | (19,857) | (2,813) | (37,423) | (3,553) | (2,322) | - | (65,968) | (73,020) |
| Variable lease payment adjustment | (2,722) | - | (2,722) | - | - | - | - | - | - | - | (2,722) |
| Disposal | - | - | - | - | - | (3,933) | (76) | (64) | - | (4,073) | (4,073) |
| Exchange realignment | 78 | - | 78 | 2,913 | - | (917) | 68 | (2,220) | 19 | (137) | (59) |
| At 31 December 2020, net of | | | | | | | | | | | |
| accumulated depreciation | 119,430 | 267 | 119,697 | 496,364 | 12,406 | 393,266 | 11,706 | 7,465 | 26,521 | 947,728 | 1,067,425 |
| At 31 December 2020: | | | | | | | | | | | |
| Cost | 131,904 | 1,545 | 133,449 | 591,966 | 21,029 | 916,963 | 34,926 | 28,771 | 26,521 | 1,620,176 | 1,753,625 |
| Accumulated depreciation | (12,474) | (1,278) | (13,752) | (95,602) | (8,623) | (523,697) | (23,220) | (21,306) | - | (672,448) | (686,200) |
| Net carrying amount | 119,430 | 267 | 119,697 | 496,364 | 12,406 | 393,266 | 11,706 | 7,465 | 26,521 | 947,728 | 1,067,425 |

At 31 December 2021, certain of the Group's leasehold land (included in the right-of-use assets) and buildings with an aggregate carrying amount of HK\$501,788,000 (2020: HK\$538,854,000) were pledged to secure general banking facilities granted to the Group (note 24).

At 31 December 2021, the Group's leasehold land, buildings, furniture, fixtures and office equipment with an aggregate net carrying amount of HK\$507,671,000 (2020: HK\$548,964,000) were related to the hotel operation business.

14. Investment Properties

| | HK\$'000 |
|--|-----------|
| Carrying amount at 1 January 2020 | 1,172,524 |
| Additions | 87 |
| Net gain from a fair value adjustment | 9,052 |
| Exchange realignment | 157 |
| Carrying amount at 31 December 2020 and 1 January 2021 | 1,181,820 |
| Net gain from a fair value adjustment | 32,868 |
| Disposals | (19,277) |
| Exchange realignment | 13,759 |
| Carrying amount at 31 December 2021 | 1,209,170 |

For the years ended 31 December 2021 and 2020, the fair value measurements of all investment properties of the Group are categorised within Level 3 of the fair value hierarchy and details of their movements are disclosed above.

The investment properties situated in Hong Kong and the Mainland China were revalued on 31 December 2021 based on valuations performed by APAC Appraisal and Consulting Limited (2020: APAC Appraisal and Consulting Limited) and the investment properties situated in Vietnam were revalued on 31 December 2021 based on valuations performed by Jones Lang Lasalle Vietnam Company Limited (2020: Jones Lang Lasalle Vietnam Company Limited). The investment properties are leased to third parties under operating leases, further details of which are set out in note 15 to the financial statements.

At 31 December 2021, certain investment properties with an aggregate fair value of HK\$141,000,000 (2020: HK\$135,000,000) were pledged to secure general banking facilities granted to the Group (note 24).

Further particulars of the Group's investment properties are set out on page 126.

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14. Investment Properties (continued)

Fair value hierarchy

The following table illustrates the fair value measurement of the Group's investment properties using:

| | Fair value measurement using significant unobservable inputs (Level 3) | |
|---|---|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 |
| Recurring fair value measurement for: | | |
| Industrial properties – Hong Kong | 163,500 | 144,000 |
| Commercial properties – Hong Kong | 141,000 | 135,000 |
| Residential properties – Mainland China | 22,185 | 21,849 |
| Commercial properties – Vietnam | 882,485 | 880,971 |
| | 1,209,170 | 1,181,820 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2020: Nil).

14. Investment Properties (continued)

Fair value hierarchy (continued)

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

| | Industrial properties HK\$'000 | Commercial properties HK\$'000 | Residential properties HK\$'000 |
|---|---|---|--|
| Carrying amount at 1 January 2020 | 145,200 | 1,006,406 | 20,918 |
| Addition | – | 87 | – |
| Net gain/(loss) from a fair value adjustment | (1,200) | 10,585 | (334) |
| Exchange realignment | – | (1,107) | 1,265 |
| Carrying amount at 31 December 2020 and 1 January 2021 | 144,000 | 1,015,971 | 21,849 |
| Net gain/(loss) from a fair value adjustment | 19,500 | 13,729 | (361) |
| Disposals | – | (19,277) | – |
| Exchange realignment | – | 13,062 | 697 |
| Carrying amount at 31 December 2021 | 163,500 | 1,023,485 | 22,185 |

The valuations of the Group's investment properties in Hong Kong and the Mainland China were based on the income capitalisation method by capitalisation of net rental income derived from the existing tenancies with allowance for the reversionary rental income potential of the properties in order to arrive at the fair value and/or the direct comparison method, which was based on price information of comparable properties of similar size, character and location and carefully weighted against all the respective advantages and disadvantages of each of the comparable properties in order to arrive at the fair value.

The valuations of the Group's investment properties in Vietnam were based on the discounted cash flow method, which required periodic net cash flows to be forecasted over the life of the investment properties and discounted at a risk-adjusted opportunity cost of capital to arrive at a present value and/or the direct comparison method, which was based on price information of comparable properties of similar size, character and location and carefully weighted against all the respective advantages and disadvantages of each of the comparable properties in order to arrive at the fair value.

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14. Investment Properties (continued)

Fair value hierarchy (continued)

Below is a summary of the valuation techniques used and the key inputs to the valuations of investment properties categorised within Level 3 of the fair value hierarchy:

| | Valuation techniques | Significant unobservable input(s) | Range or weighted average | |
|--|------------------------------|--|-------------------------------|------------------------|
| | | | 2021 | 2020 |
| Hong Kong – Industrial properties | Direct comparison method | Selling price (per square foot) | HK\$4,073 to HK\$5,000 | HK\$3,330 to HK\$5,170 |
| Hong Kong – Commercial properties | Income capitalisation method | Estimated rental value (per square foot and per month) | HK\$6,690 | HK\$6,406 |
| | | Term yield | 2.3% | 2.4% |
| | | Reversionary yield | 2.5% | 2.6% |
| Mainland China – Residential properties | Income capitalisation method | Estimated rental value (per square meter and per month) | HK\$27 | HK\$28 |
| | | Term yield | 2.0% | 2.0% |
| | | Reversionary yield | 2.5% | 2.5% |
| Vietnam – Commercial properties | Discounted cash flow method | Discount rate | 13% | 13% |
| | | Estimated rental value (per square meter and per month) | HK\$310 to HK\$349 | HK\$295 to HK\$349 |
| Vietnam – Car parks | Discounted cash flow method | Discount rate | 13% | 13% |
| | | Estimated rental value (per car park and per month) | HK\$186 to HK\$1,396 | HK\$186 to HK\$1,396 |

A significant increase/(decrease) in the price per square foot in isolation would result in a significant higher/(lower) fair value of the investment properties.

A significant increase/(decrease) in the estimated rental value per square meter or square foot per month in isolation would result in a significant higher/(lower) in the fair value of the investment properties. A significant increase/(decrease) in the reversionary yield/term yield in isolation would result in a significant lower/(higher) in the fair value of the investment properties.

Generally, a change in the assumption made for the estimated rental value per square meter or per car park is accompanied by an opposite change in the discount rate or the reversionary yield or the term yield.

15. Leases

The Group as a lessee

The Group has lease contracts for various items of leasehold land and motor vehicles used in its operations. Lump sum payments were made upfront to acquire the leased land from the local government and certain on-going payments will be made under the terms of these land leases, subject to each of the relevant lease contracts. The lease term for the leasehold lands and motor vehicles are negotiated on an individual basis and contain a wide range of different terms and conditions.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Leasehold land HK\$'000 | Motor vehicles HK\$'000 | Total HK\$'000 |
|---|--|--|---------------------------|
| As at 1 January 2020 | 128,730 | 571 | 129,301 |
| Addition | 92 | – | 92 |
| Variable lease payment adjustment | (2,722) | – | (2,722) |
| Depreciation charge | (6,748) | (304) | (7,052) |
| Exchange realignment | 78 | – | 78 |
| As at 31 December 2020 and 1 January 2021 | 119,430 | 267 | 119,697 |
| Addition | – | 970 | 970 |
| Depreciation charge | (3,748) | (314) | (4,062) |
| Exchange realignment | 1,928 | – | 1,928 |
| As at 31 December 2021 | 117,610 | 923 | 118,533 |

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15. Leases (continued)

The Group as a lessee (continued)

(b) Lease liabilities

The carrying amount of lease liabilities (included under other payables and accruals) and the movements during the year are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Carrying amount as at 1 January | 19,225 | 22,479 |
| New leases | 741 | 92 |
| Accretion of interest recognised during the year | 2,113 | 1,822 |
| Variable lease payment adjustment | – | (2,722) |
| Payments | (2,689) | (2,665) |
| Exchange realignment | 18 | 219 |
| Carrying amount at 31 December | 19,408 | 19,225 |
| Analysed into: | | |
| Current portion | 2,199 | 1,907 |
| Non-current portion | 17,209 | 17,318 |

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Interest on lease liabilities | 2,113 | 1,822 |
| Depreciation charge of right-of-use assets | 4,062 | 7,052 |
| Total amount recognised in profit or loss | 6,175 | 8,874 |

(d) The total cash outflow for leases is disclosed in note 30(b) to the financial statements.

15. Leases (continued)

The Group as a lessor

The Group leases its investment properties (note 14) consisting of certain commercial properties, residential properties and industrial properties in Hong Kong, Vietnam and the Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. As at 31 December 2021, security deposits received from tenants amounted to HK\$43,696,000 (2020: HK\$43,042,000). Rental income recognised by the Group during the year was HK\$116,279,000 (2020: HK\$114,444,000), details of which are included in note 5 to the financial statements.

At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Within one year | 120,745 | 118,149 |
| After one year but within two years | 61,231 | 60,893 |
| After two years but within three years | 25,777 | 25,536 |
| After three years but within four years | 2,641 | 2,602 |
| After four years but within five years | 684 | 674 |
| | 211,078 | 207,854 |

16. Properties for Development

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----------------------|------------------|------------------|
| Situated in Vietnam | 26,747 | 27,459 |
| Situated in Mongolia | 33,282 | 33,076 |
| Situated in Hong Kong | 193,205 | – |
| | 253,234 | 60,535 |
| Impairment | (33,282) | (33,076) |
| | 219,952 | 27,459 |

As at 31 December 2021, the land use right included in properties under development situated in Vietnam and Hong Kong amounted to HK\$207,000,000 (2020: HK\$23,200,000) with the remaining lease terms within 50 years.

At 31 December 2021, certain properties for development with an aggregate carrying value of HK\$193,205,000 (2020: Nil) were pledged to secure general banking facilities granted to the Group.

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17. Inventories

| | 2021 HK\$'000 | 2020 HK\$'000 |
|------------------|------------------|------------------|
| Raw materials | 10,990 | 9,301 |
| Consumables | 21,992 | 24,382 |
| Work in progress | 21,678 | 10,883 |
| Finished goods | 14,459 | 13,710 |
| | 69,119 | 58,276 |

18. Trade Receivables

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

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.

18. Trade Receivables (continued)

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 | 2020 |
|----------------|-----------------|----------|
| | HK\$'000 | 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 |
| | 35,892 | 36,824 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | Note | 2021 | 2020 |
|---|------|-----------------|----------|
| | | HK\$'000 | HK\$'000 |
| At beginning of year | | 3,847 | 3,991 |
| Impairment/(reversal of impairment) losses, net | 6 | 586 | (137) |
| Written-off | | (2,496) | – |
| Exchange realignment | | 588 | (7) |
| At end of year | | 2,525 | 3,847 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by bank guarantees or security deposits). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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18. Trade Receivables (continued)

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2021

| | Current | Past due | | Total |
|-----------------------------------|---------|---------------|---------------|--------|
| | | 1 to 3 months | Over 3 months | |
| Expected credit loss rate | 0.30% | 0% | 21.41% | 21.71% |
| Gross carrying amount (HK\$'000) | 19,375 | 7,522 | 11,520 | 38,417 |
| Expected credit losses (HK\$'000) | 58 | – | 2,467 | 2,525 |

As at 31 December 2020

| | Current | Past due | | Total |
|-----------------------------------|---------|---------------|---------------|--------|
| | | 1 to 3 months | Over 3 months | |
| Expected credit loss rate | 0.19% | 0% | 39.21% | 9.46% |
| Gross carrying amount (HK\$'000) | 23,180 | 7,795 | 9,696 | 40,671 |
| Expected credit losses (HK\$'000) | 45 | – | 3,802 | 3,847 |

19. Prepayments, Other Receivables and Other Assets

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---------------------|------------------|------------------|
| Prepayments | 7,319 | 3,937 |
| Deposits | 1,643 | 1,589 |
| Other receivables | 42,766 | 5,390 |
| | 51,728 | 10,916 |
| Non-current portion | (23,081) | (1,935) |
| Current portion | 28,647 | 8,981 |

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. The directors of the Company considered that the expected credit loss exposure is not significant with reference to the historical loss records of the Group.

20. Financial Assets at Fair Value Through Profit or Loss

| | 2021 | 2020 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Listed equity investments – overseas, at fair value | 58 | 57 |
| Unlisted investments – Hong Kong, at fair value | 14,419 | – |
| | 14,477 | 57 |

The above investments were classified as financial assets at fair value through profit or loss as they were held for trading.

The fair values of these investments are measured based on quoted market prices and categorised within Level 1 of the fair value hierarchy.

21. Cash and Cash Equivalents

| | 2021 | 2020 |
|---------------------------|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Cash and bank balances | 192,713 | 95,550 |
| Time deposits | 246,883 | 359,202 |
| Cash and cash equivalents | 439,596 | 454,752 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi (“RMB”) and Vietnamese Dong (“VND”) amounted to HK\$39,877,000 (2020: HK\$32,578,000) and HK\$301,695,000 (2020: HK\$317,174,000), respectively. The RMB and VND are not freely convertible into other currencies. However, under the Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations and the Law on Foreign Investment in Vietnam, the Group is permitted to exchange RMB and VND for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and a year depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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22. 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 |
| | 18,461 | 9,228 |

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

23. Other Payables and Accruals

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|---|-------|------------------|------------------|
| Rental-related receipts in advance | | 7,789 | 11,089 |
| Contract liabilities | (a) | 1,927 | 2,626 |
| Deposit received | | 43,696 | 43,042 |
| Accruals | | 19,027 | 19,497 |
| Advances from non-controlling shareholders of certain subsidiaries | | 11,815 | 11,933 |
| Other payables | (b) | 16,965 | 17,760 |
| Lease liabilities | 15(b) | 19,408 | 19,225 |
| | | 120,627 | 125,172 |
| Less: Other payables classified as the non-current portion | | (41,775) | (40,372) |
| Current portion | | 78,852 | 84,800 |

23. Other Payables and Accruals (continued)

Notes:

(a) Details of contract liabilities are as follows:

| | 31 December 2021 HK\$'000 | 31 December 2020 HK\$'000 | 1 January 2020 HK\$'000 |
|---|---------------------------------|---------------------------------|-------------------------------|
| Short-term advances received from customers | | | |
| Sale of cement | – | 7 | 47 |
| Property management and related services | 1,908 | 2,598 | 2,469 |
| Hotel and related services | 19 | 21 | 70 |
| Total contract liabilities | 1,927 | 2,626 | 2,586 |

Contract liabilities include short-term advances received to deliver cement products, property management and related services and hotel and related services. There were no significant changes in the contract liabilities during the year.

(b) Other payables are non-interest-bearing and are expected to be settled within one year.

24. Interest-Bearing Bank and Other Borrowings

| | 2021 | | | 2020 | | |
|--|---------------------------------|------------------|----------------|---------------------------------|-----------|------------------|
| | Contractual interest rate | Maturity | HK\$'000 | Contractual interest rate | Maturity | HK\$'000 |
| Current | | | | | | |
| Long term bank loans repayable on demand – secured | HIBOR+ 1.4% – 1.5% | on demand | 123,545 | HIBOR+1.5% | on demand | 8,750 |
| | | | | | | |
| | | | | 2021 HK\$'000 | | 2020 HK\$'000 |
| Analysed into: | | | | | | |
| Bank loans repayable: | | | | | | |
| Within one year or on demand (note) | | | | 123,545 | | 8,750 |

Note: As further explained in note 35 to the financial statements, the Group's term loans and mortgage loan with an aggregate amount of HK\$67,392,000 (2020: HK\$1,250,000) containing an on-demand clause have been classified as current liabilities. For the purpose of the above analysis, the loans are included within current interest-bearing bank loans and analysed into bank loans repayable within one year or on demand.

Based on the maturity terms of the bank loans, the amounts repayable in respect of the bank loans are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Within one year or on demand | 56,153 | 7,500 |
| In the second year | 4,901 | 1,250 |
| In the third to fifth years, inclusive | 14,703 | – |
| Beyond five years | 47,788 | – |
| | 123,545 | 8,750 |

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24. Interest-Bearing Bank and Other Borrowings (continued)

Notes:

- (a) At 31 December 2021, certain of the Group's land and buildings, properties for development and investment properties with an aggregate carrying value of HK\$501,788,000 (2020: HK\$538,854,000), HK\$193,205,000 (2020: HK\$ Nil) and HK\$141,000,000 (2020: HK\$135,000,000), respectively, were pledged to secure the above bank loans and general banking facilities granted to the Group.
- (b) At 31 December 2021 and 2020, all the secured bank loans were denominated in Hong Kong dollars.
- (c) At 31 December 2021, the Company has guaranteed the Group's interest-bearing bank loans and certain general banking facilities up to HK\$180,000,000 (2020: HK\$180,000,000).
- (d) Other interest rate information is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|----------------------|------------------|------------------|
| Floating rate: | | |
| Bank loans – secured | 123,545 | 8,750 |

- (e) The carrying amounts of the interest-bearing bank and other borrowings of the Group approximate to their fair values.

25. Provisions

| | Long service payments HK\$'000 | Environmental restoration HK\$'000 | Total HK\$'000 |
|--|--------------------------------------|--|-------------------|
| At 1 January 2020 | 2,963 | 655 | 3,618 |
| Amount utilised during the year | (560) | – | (560) |
| At 31 December 2020 and 1 January 2021 | 2,403 | 655 | 3,058 |
| Additional provision | 194 | – | 194 |
| Exchange realignment | – | 10 | 10 |
| At 31 December 2021 | 2,597 | 665 | 3,262 |

The Group provides for probable future long service payments expected to be made to employees under the Hong Kong Employment Ordinance.

The provision for environmental restoration costs has been determined by the directors based on the best estimate of the expected costs. However, insofar as the effect of the current limestone excavation activities on the land and the environment becomes apparent in future periods, the estimate of the associated costs may be subject to changes.

26. Deferred Tax

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

| | Depreciation allowance in excess of related depreciation HK\$'000 | Revaluation of properties HK\$'000 | Total HK\$'000 |
|---|---|--|-------------------|
| At 1 January 2020 | 49,396 | 157,725 | 207,121 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year (note 10) | (3,183) | 6,199 | 3,016 |
| Exchange realignment | (95) | 1,588 | 1,493 |
| At 31 December 2020 and 1 January 2021 | 46,118 | 165,512 | 211,630 |
| Deferred tax credited to the statement of profit or loss during the year (note 10) | (3,874) | (1,649) | (5,523) |
| Exchange realignment | 581 | 2,548 | 3,129 |
| At 31 December 2021 | 42,825 | 166,411 | 209,236 |

Deferred tax assets

| | Impairment of financial assets HK\$'000 | Provision and accruals HK\$'000 | Total HK\$'000 |
|---|--|---------------------------------------|-------------------|
| At 1 January 2020 | 202 | 6,730 | 6,932 |
| Deferred tax charged to the statement of profit or loss during the year (note 10) | (149) | (1,538) | (1,687) |
| Exchange realignment | (1) | (82) | (83) |
| At 31 December 2020 and 1 January 2021 | 52 | 5,110 | 5,162 |
| Deferred tax (charged)/credited to the statement of profit or loss during the year (note 10) | 43 | (1,313) | (1,270) |
| Exchange realignment | 1 | 70 | 71 |
| At 31 December 2021 | 96 | 3,867 | 3,963 |

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26. Deferred Tax (continued)

Deferred tax assets (continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | 2021 | 2020 |
|---|-----------------|----------|
| | HK\$'000 | HK\$'000 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | 205,273 | 206,468 |

The Group has tax losses arising in Hong Kong and Vietnam of HK\$705,989,000 (2020: HK\$675,789,000) and HK\$14,006,000 (2020: HK\$9,650,000), respectively, that are available indefinitely and for a maximum of five years, respectively, for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the Company and its subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement became effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the Mainland China and the jurisdiction of the foreign investors. The Group is therefore liable for withholding taxes on dividends distributed by a subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiary established in Mainland China. In the opinion of the directors, it is not probable that these subsidiary will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately HK\$7,856,000 at 31 December 2021 (2020: Nil).

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

27. Share Capital

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Issued and fully paid: | | |
| 502,557,418 (2020: 502,557,418) ordinary shares of HK\$0.01 each | 5,026 | 5,026 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Issued capital HK\$'000 |
|--|---------------------------------|-------------------------------|
| At 1 January 2020 | 505,297,418 | 5,053 |
| Cancellation of shares repurchased | (2,740,000) | (27) |
| At 31 December 2020, 1 January 2021, and 31 December 2021 | 502,557,418 | 5,026 |

Note: The Company purchased 2,740,000 of its shares on the Stock Exchange at a total consideration of HK\$3,343,000 at an aggregate price of HK\$1.22 per share in September 2020. The purchased shares were cancelled in October 2020.

28. Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include any director (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint ventures business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group. The Scheme became effective on 29 May 2018 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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28. Share Option Scheme (continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK\$1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the higher of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; and (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

At the end of the reporting period, no share options were granted under the Scheme.

29. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 49 of these financial statements.

(b) Contributed surplus

The contributed surplus of the Group represents the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Luks Industrial Company Limited pursuant to the group reorganisation and the consolidated net asset value of Luks Industrial Company Limited so acquired. Under the Companies Act 1981 of Bermuda, the contributed surplus is distributable to shareholders under certain prescribed circumstances.

(c) Capital redemption reserve

The capital redemption reserve represents an amount equivalent to the par value of the ordinary shares cancelled as a result of the share repurchase.

(d) Capital reserve

Capital reserve represents the difference between the amounts of net consideration and the carrying values of non-controlling interests acquired or disposed of.

30. Notes to the Consolidated Statement of Cash Flows

- (a) During the year ended 31 December 2021, the consideration receivable for the disposal of investment properties was approximately of HK\$17,969,000.

For the year ended 31 December 2021, the Group entered into a finance lease arrangement in respect of property, plant and equipment with a capital value at the inception of the lease of HK\$741,000.

(b) Changes in liabilities arising from financing activities

| | 2021 | | Total HK\$'000 |
|-----------------------------------|--|----------------------------------|-------------------|
| | Interest-bearing bank loans HK\$'000 | Lease liabilities HK\$'000 | |
| At 1 January 2021 | 8,750 | 19,225 | 27,975 |
| Changes from financing cash flows | 114,795 | (576) | 114,219 |
| Additions | – | 741 | 741 |
| Interest expense | – | 2,113 | 2,113 |
| Interest paid classified as | | | |
| operating cash flows | – | (2,113) | (2,113) |
| Foreign exchange movement | – | 18 | 18 |
| 31 December 2021 | 123,545 | 19,408 | 142,953 |
| | | | |
| | | 2020 | |
| | Interest-bearing | Lease | Total |
| | bank loans | liabilities | |
| | HK\$'000 | HK\$'000 | HK\$'000 |
| At 1 January 2020 | 16,250 | 22,479 | 38,729 |
| Changes from financing cash flows | (7,500) | (843) | (8,343) |
| Additions | – | 92 | 92 |
| Interest expense | – | 1,822 | 1,822 |
| Interest paid classified as | | | |
| operating cash flows | – | (1,822) | (1,822) |
| Variable lease payment adjustment | – | (2,722) | (2,722) |
| Foreign exchange movement | – | 219 | 219 |
| At 31 December 2020 | 8,750 | 19,225 | 27,975 |

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30. Notes to the Consolidated Statement of Cash Flows (continued)

(c) Cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----------------------------|------------------|------------------|
| Within operating activities | 2,113 | 1,822 |
| Within financing activities | 576 | 843 |
| | 2,689 | 2,665 |

31. Commitments

The Group had the following capital commitments at the end of the reporting period:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|-----------------------------------|------------------|------------------|
| Contracted, but not provided for: | | |
| Property, plant and equipment | 38,784 | 3,922 |
| Acquisition of assets | – | 750 |
| | 38,784 | 4,672 |

32. Related Party Transactions

Compensation of key management personnel of the Group:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|---|------------------|------------------|
| Short term employee benefits | 9,397 | 10,138 |
| Post-employment benefits | 72 | 72 |
| Total compensation paid to key management personnel | 9,469 | 10,210 |

Further details of directors' emoluments are included in note 8 to the financial statements.

33. Financial Instruments by Category

Except for financial assets at fair value through profit or loss, which were measured at fair value, the financial assets and liabilities of the Group as at 31 December 2021 and 2020 were loans and receivables and financial liabilities stated at amortised cost, respectively.

34. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts of the Group's financial instruments, other than financial assets at fair value through profit or loss, reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following method and assumption were used to estimate the fair values:

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments on with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2021 was assessed to be insignificant.

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35. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise bank and other borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations. The Group does not use derivative financial instruments to hedge its debt obligations. However, management monitors the related cash flow interest rate risk exposure closely and will consider hedging significant interest rate risk should the need arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

| | Increase/ (decrease) in basis points | Increase/ (decrease) in profit before tax HK\$'000 |
|------------------|---|---|
| 2021 | | |
| Hong Kong dollar | 100 | (1,235) |
| Hong Kong dollar | (100) | 1,235 |
| 2020 | | |
| Hong Kong dollar | 100 | (88) |
| Hong Kong dollar | (100) | 88 |

35. Financial Risk Management Objectives and Policies (continued)

Foreign currency risk

The Group is exposed to the risk of fluctuations in exchange rates for its investments in Vietnam. Since the VND is a restricted currency, there are no hedging instruments available. In order to minimise the Group's exposure to the foreign currency risk, the Group makes use of its surplus cash flows derived from its cement plant to repay loans denominated in United States dollars ("US\$"), and in particular, the loan due to the parent company. In addition, most of the expenditures of the cement plant are in the VND. Management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency risk should the need arise.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the VND exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

| | Increase/ (decrease) in VND rate % | Increase/ (decrease) in profit before tax HK\$'000 |
|-------------------------------------|---|---|
| 2021 | | |
| If US\$ weakens against the VND | 1 | 634 |
| If US\$ strengthens against the VND | (1) | (634) |
| 2020 | | |
| If US\$ weakens against the VND | 1 | 632 |
| If US\$ strengthens against the VND | (1) | (632) |

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35. Financial Risk Management Objectives and Policies (continued)

Credit risk

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December.

As at 31 December 2021

| | 12-month | Lifetime ECLs | | | Total |
|--|----------|---------------|----------|----------|----------|
| | ECLs | Simplified | | | |
| | Stage 1 | Stage 2 | Stage 3 | approach | |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Trade receivables* | - | - | - | 38,417 | 38,417 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 44,409 | - | - | - | 44,409 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 439,596 | - | - | - | 439,596 |
| | 484,005 | - | - | 38,417 | 522,422 |

35. Financial Risk Management Objectives and Policies (continued)

Credit risk (continued)

Maximum exposure and year-end staging (continued)

As at 31 December 2020

| | 12-month ECLs | | Lifetime ECLs | | Total HK\$'000 |
|--|---------------------|---------------------|---------------------|------------------------------------|-------------------|
| | Stage 1 HK\$'000 | Stage 2 HK\$'000 | Stage 3 HK\$'000 | Simplified approach HK\$'000 | |
| Trade receivables* | – | – | – | 40,671 | 40,671 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 6,979 | – | – | – | 6,979 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 454,752 | – | – | – | 454,752 |
| | 461,731 | – | – | 40,671 | 502,402 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans. In addition, banking facilities have been put in place for contingency purposes.

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35. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

| | Within one year or on demand HK\$'000 | In the second year HK\$'000 | In the third to fifth years, inclusive HK\$'000 | Beyond five years HK\$'000 | Total HK\$'000 |
|--|--|--------------------------------------|---|----------------------------------|-------------------|
| As at 31 December 2021 | | | | | |
| Trade payables | 18,461 | – | – | – | 18,461 |
| Financial liabilities included in other payables and accruals | 49,864 | 15,563 | 5,756 | 8,003 | 79,186 |
| Interest-bearing bank and other borrowings (note) | 138,213 | – | – | – | 138,213 |
| | 206,538 | 15,563 | 5,756 | 8,003 | 235,860 |
| | Within one year or on demand HK\$'000 | In the second year HK\$'000 | In the third to fifth years, inclusive HK\$'000 | Beyond five years HK\$'000 | Total HK\$'000 |
| As at 31 December 2020 | | | | | |
| Trade payables | 9,228 | – | – | – | 9,228 |
| Financial liabilities included in other payables and accruals | 51,588 | 18,005 | 28,655 | 9,733 | 107,981 |
| Interest-bearing bank and other borrowings (note) | 8,839 | – | – | – | 8,839 |
| | 69,655 | 18,005 | 28,655 | 9,733 | 126,048 |

35. Financial Risk Management Objectives and Policies (continued)

Liquidity risk (continued)

Note: Included in interest-bearing bank and other borrowings are certain term loans with an aggregate principal amount of HK\$123,545,000 (2020: HK\$8,750,000). The loan agreements of these term loans contain a repayment on-demand clause giving the bank the unconditional right to call in the loans at any time, and therefore, for the purpose of the above maturity profile, the total amount is classified as "on demand".

Notwithstanding the above clause, the directors do not believe that these loans will be called in their entirety within 12 months, and they consider that the loans will be repaid in accordance with the maturity dates as set out in the respective loan agreements. This evaluation was made considering: the financial position of the Group at the date of approval of the financial statements; the Group's compliance with the loan covenants; the lack of events of default, and the fact that the Group has made all previously scheduled repayments on time. In accordance with the terms of the loans, the contractual undiscounted payments are as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| Within one year or on demand | 58,151 | 8,006 |
| In the second year | 6,053 | 1,252 |
| In the third to fifth years, inclusive | 21,614 | – |
| Beyond five years | 52,395 | – |
| | 138,213 | 9,258 |

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total equity. The Group aims to maintain a healthy and stable net gearing ratio. The gearing ratios as at the end of the reporting periods were as follows:

| | Notes | 2021 HK\$'000 | 2020 HK\$'000 |
|--|-------|------------------|------------------|
| Interest-bearing bank and other borrowings | 24 | 123,545 | 8,750 |
| Less: Cash and cash equivalents | 21 | (439,596) | (454,752) |
| Net cash | | (316,051) | (446,002) |
| Total equity | | 2,532,635 | 2,456,143 |
| Gearing ratio | | N/A | N/A |

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36. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2021 HK\$'000 | 2020 HK\$'000 |
|--|------------------|------------------|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | 80 | 90 |
| Investments in subsidiaries | 684,989 | 676,920 |
| Total non-current assets | 685,069 | 677,010 |
| CURRENT ASSETS | | |
| Cash and cash equivalents | 14,286 | 74,060 |
| Total current assets | 14,286 | 74,060 |
| CURRENT LIABILITIES | | |
| Other payables and accruals | 4,278 | 3,909 |
| Total current liabilities | 4,278 | 3,909 |
| NET CURRENT ASSETS | 10,008 | 70,151 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 695,077 | 747,161 |
| NON-CURRENT LIABILITIES | | |
| Provisions | 2,267 | 2,069 |
| Total non-current liabilities | 2,267 | 2,069 |
| Net assets | 692,810 | 745,092 |
| EQUITY | | |
| Issued capital | 5,026 | 5,026 |
| Reserves (note) | 687,784 | 740,066 |
| Total equity | 692,810 | 745,092 |

36. Statement of Financial Position of the Company (continued)

Note:

A summary of the Company's reserves is as follows:

| | Notes | Share premium account HK\$'000 | Contributed surplus HK\$'000 | Capital redemption reserve HK\$'000 | Retained earnings HK\$'000 | Total HK\$'000 |
|--|-------|-----------------------------------|---------------------------------|--|-------------------------------|-------------------|
| At 1 January 2020 | | 738,496 | 23,319 | 703 | 27,162 | 789,680 |
| Total comprehensive loss for the year | | – | – | – | (21,034) | (21,034) |
| Share premium reduction (note) | | (738,496) | 738,496 | – | – | – |
| Shares repurchased and cancelled | 27 | – | – | 27 | (3,343) | (3,316) |
| 2019 final dividend | 11 | – | – | – | (15,159) | (15,159) |
| 2020 interim dividend | 11 | – | (10,105) | – | – | (10,105) |
| At 31 December 2020 and 1 January 2021 | | – | 751,710 | 730 | (12,374) | 740,066 |
| Total comprehensive loss for the year | | – | – | – | (22,128) | (22,128) |
| 2020 final dividend | 11 | – | (15,077) | – | – | (15,077) |
| 2021 interim dividend | 11 | – | (15,077) | – | – | (15,077) |
| At 31 December 2021 | | – | 721,556 | 730 | (34,502) | 687,784 |

Note: Pursuant to a special resolution passed by the shareholders at the annual general meeting of the Company on 10 June 2020, the share premium account of the Company in the sum of HK\$738,496,000 with the credit arising therefrom was entirely transferred to the contributed surplus account of the Company.

37. Approval Of The Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 25 March 2022.

Particulars of Investment Properties

31 December 2021

| Location | Use | Tenure | Attributable interest of the Group |
|--|---------------------------------|--------------------|------------------------------------|
| Store Rooms 4, 5 and 6 on Upper Basement Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Tokwawan, Kowloon, Hong Kong | Industrial building for rental | Medium-term leases | 100% |
| Flat A2, 3/F., Flat B, 4/F., Flat A2, 6/F., Flat C, 7/F. and Flats A1 & A2, 9/F., Cheong Wah Factory Building, No. 39-41 Sheung Heung Road and No. 60 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong | Industrial building for rental | Long-term leases | 100% |
| Workshops E2 & F2, 7/F., Hang Fung Industrial Building, Phase II, No. 2G Hok Yuen Street East, Tokwawan, Kowloon, Hong Kong | Industrial building for rental | Medium-term leases | 100% |
| Retail portion on G/F. and 2/F., No. 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong | Retail shops for rental | Medium-term leases | 100% |
| 2nd and 3rd Floors of the Dormitory, 2nd of 05A, Area 33, Bao An Area, Shenzhen, PRC | Residential building for rental | Short-term leases | 100% |
| Saigon Trade Centre, No. 37 Ton Duc Thang Street, District 1, Ho Chi Minh City, Vietnam | Commercial building for rental | Medium-term leases | 100% |

Particulars of Property for Development

31 December 2021

| Location | Use | Attributable | |
|--|-------------------------------|-----------------------------|-----------------------------|
| | | Site area (square metre) | interest of the Group |
| Thanh Phat Apartment Area, 394 Ho Hoc Lam Street, An Lac Ward, Binh Tan District, Ho Chi Minh City, Vietnam | Residential | 22,221 | 85% |
| Nos. 341 Shanghai Street, Kowloon, Hong Kong | Residential and commercial | 18,000 | 100% |

Five Year Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

| | Year ended 31 December | | | | |
|---------------------------|------------------------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| RESULTS | | | | | |
| PROFIT FOR THE YEAR | 84,592 | 60,191 | 121,480 | 143,420 | 94,096 |
| Attributable to: | | | | | |
| Owners of the parent | 84,669 | 61,511 | 122,280 | 144,128 | 94,417 |
| Non-controlling interests | (77) | (1,320) | (800) | (708) | (321) |
| | 84,592 | 60,191 | 121,480 | 143,420 | 94,096 |

Assets, Liabilities and Non-Controlling Interests

| | As at 31 December | | | | |
|---------------------------|-------------------|------------------|------------------|------------------|------------------|
| | 2021 HK\$'000 | 2020 HK\$'000 | 2019 HK\$'000 | 2018 HK\$'000 | 2017 HK\$'000 |
| TOTAL ASSETS | 3,039,028 | 2,837,529 | 2,828,376 | 2,818,729 | 2,765,414 |
| TOTAL LIABILITIES | (506,393) | (381,386) | (405,906) | (448,077) | (464,709) |
| NON-CONTROLLING INTERESTS | 22,456 | 28,605 | 28,288 | 28,309 | 29,977 |
| | 2,555,091 | 2,484,748 | 2,450,758 | 2,398,961 | 2,330,682 |