LUKS GROUP (VIETNAM HOLDINGS) COMPANY LIMITED
陸氏集團(越南控股)有限公司*

(incorporated in Bermuda with limited liability)

(Stock code: 366)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

The Board of Directors (the "Board") of Luks Group (Vietnam Holdings) Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011. The annual results have been reviewed by the audit committee of the Company.

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2011

	Notes	**2011 HK$'000**	2010 HK$'000
REVENUE	*3*	**815,463**	838,441
Cost of sales		**(509,009)**	(548,362)
Gross profit		**306,454**	290,079
Other income and gains	*3*	**11,907**	13,829
Fair value gains on investment properties, net		**89,566**	38,075
Selling and distribution costs		**(45,700)**	(68,991)
Administrative expenses		**(70,602)**	(82,896)
Other expenses		**(128,198)**	(78,683)
Finance costs	*5*	**(43,401)**	(40,046)
Share of profits and losses of a jointly-controlled entity		**(3,828)**	37
Share of profits and losses of associates		**(7,440)**	(3,655)
PROFIT BEFORE TAX	*4*	**108,758**	67,749
Income tax expense	*6*	**(46,606)**	(23,692)
PROFIT FOR THE YEAR		**62,152**	44,057
Attributable to:			
Owners of the parent		**63,997**	45,377
Non-controlling interests		**(1,845)**	(1,320)
		62,152	44,057
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic		**HK 12.5 cents**	HK 8.9 cents
Diluted		**HK 12.5 cents**	HK 8.9 cents

Details of the dividends for the year are disclosed in note 7 to this result announcement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011	2010
	HK$'000	HK$'000
PROFIT FOR THE YEAR	**62,152**	44,057
OTHER COMPREHENSIVE LOSS:		
Exchange differences on translation of foreign operations	**(98,524)**	(68,032)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(98,524)**	(68,032)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(36,372)**	(23,975)
Attributable to:		
Owners of the parent	**(36,541)**	(22,238)
Non-controlling interests	**169**	(1,737)
	(36,372)	(23,975)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2011

	Notes	**2011** **HK$'000**	2010 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**908,685**	1,010,914
Investment properties		**1,315,859**	1,286,704
Prepaid land lease payments		**13,236**	17,741
Goodwill		**-**	183
Investment in a jointly-controlled entity		**-**	3,828
Investments in associates		**94,986**	113,424
Deposits		**35,417**	138,331
Property for development		**36,430**	-
Total non-current assets		**2,404,613**	2,571,125
CURRENT ASSETS			
Property for development		**-**	36,552
Inventories		**103,027**	93,206
Trade receivables	*9*	**54,052**	68,673
Prepayments, deposits and other receivables		**24,169**	36,256
Debt investments at fair value through profit or loss		**1,094**	1,094
Cash and cash equivalents		**170,247**	179,802
Total current assets		**352,589**	415,583
CURRENT LIABILITIES			
Trade payables	*10*	**28,790**	53,694
Other payables and accruals		**102,984**	121,850
Due to directors		**69**	75
Due to a related company		**4,339**	4,344
Interest-bearing bank and other borrowings		**197,877**	293,666
Tax payable		**24,546**	35,792
Total current liabilities		**358,605**	509,421
NET CURRENT LIABILITIES		**(6,016)**	(93,838)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,398,597**	2,477,287

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2011

	2011 HK$'000	2010 HK$'000
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**91,449**	110,602
Rental deposits	**15,717**	23,051
Provisions	**5,167**	5,170
Deferred tax liabilities	**216,597**	212,586
Total non-current liabilities	**328,930**	351,409
Net assets	**2,069,667**	2,125,878
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**5,119**	5,114
Reserves	**2,068,516**	2,124,901
	2,073,635	2,130,015
Non-controlling interests	**(3,968)**	(4,137)
Total equity	**2,069,667**	2,125,878

Notes:

1.1 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, 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 certain debt investments, 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 except when otherwise indicated.

As at 31 December 2011, the current liabilities of the Group exceeded its current assets by approximately HK$6 million. The Group finances its operations by obtaining credit terms from suppliers and interest-bearing bank and other borrowings. As at 31 December 2011, the Group had unutilised credit facilities from banks of approximately HK$105 million and all of which was successfully drawn down by the Group subsequent to 31 December 2011.

The directors of the Company are of the opinion that, taking into account the presently available banking facilities, the continual renewal of bank loans upon maturity and internal financial resources of the Group, the Group has sufficient working capital for its present requirements. Hence, the financial statements has been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. 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 of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

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

1.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards - Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation - Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard. The adoption of the revised standard did not have any impact on the financial position or performance of the Group.

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations*: The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendments also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements*: The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four 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;

(c) the property development segment represents the Group's development and sale of properties; and

(d) the corporate and others segment represents corporate income and expense items and the Group's manufacture and sale of electronic products, plywood products and traditional Chinese medicine products.

Management monitors the results of its operating segments separately for the purpose of making decisions about resources 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 and fair value losses from the Group's financial instruments are excluded from such measurement.

Business segments

Year ended 31 December	Cement products		Property investment		Property development		Corporate and others		Consolidated	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:										
Sales to external customers	**677,428**	702,428	**128,034**	126,510	**-**	-	**10,001**	9,503	**815,463**	838,441
Other income and gains	**4,714**	7,199	**29**	298	**-**	-	**2,273**	-	**7,016**	7,497
									822,479	845,938
Segment results	**51,909**	(18,446)	**191,935**	130,559	**(99,656)**	(6,027)	**(29,053)**	(39,893)	**115,135**	66,193
Reconciliation:										
Interest income									**4,891**	6,332
Fair value losses on derivative financial instruments									**-**	(1,158)
Share of profits and losses of associates	**761**	(3,216)	**-**	-	**(8,201)**	(439)	**-**	-	**(7,440)**	(3,655)
Share of profits and losses of a jointly-controlled entity	**-**	-	**(3,828)**	37	**-**	-	**-**	-	**(3,828)**	37
Profit before tax									**108,758**	67,749
Income tax expense	**(7,315)**	(3,152)	**(39,264)**	(20,540)	**-**	-	**(27)**	-	**(46,606)**	(23,692)
Profit for the year									**62,152**	44,057
Segment assets	**1,049,790**	1,262,062	**1,428,387**	1,348,642	**75,997**	182,028	**108,042**	76,724	**2,662,216**	2,869,456
Reconciliation:										
Investments in associates	**7,628**	37,069	**-**	-	**87,353**	76,355	**5**	-	**94,986**	113,424
Investment in a jointly-controlled entity	**-**	-	**-**	3,828	**-**	-	**-**	-	**-**	3,828
Total assets									**2,757,202**	2,986,708
Segment liabilities	**350,864**	512,508	**319,321**	317,032	**1,074**	495	**16,276**	30,795	**687,535**	860,830
Total liabilities									**687,535**	860,830
Other segment information:										
Depreciation	**50,370**	58,049	**2,021**	2,225	**537**	80	**211**	1,415	**53,139**	61,769
Capital expenditure	**13,954**	3,070	**-**	2,799	**-**	6	**94**	80	**14,048**	5,955
Impairment of loans to associates	**2,184**	2,360	**-**	-	**-**	-	**-**	-	**2,184**	2,360
Impairment of trade receivables	**635**	-	**-**	-	**-**	-	**-**	65	**635**	65
Impairment of a deposit and other receivables	**-**	1,212	**-**	-	**96,373**	-	**597**	-	**96,970**	1,212
Fair value gains on investment properties, net	**-**	-	**89,566**	38,075	**-**	-	**-**	-	**89,566**	38,075
Impairment of goodwill	**183**	-	**-**	-	**-**	-	**-**	-	**183**	-
Impairment of items of property, plant and equipment	**-**	461	**-**	-	**-**	-	**-**	499	**-**	960

Geographical information

(a) Revenue from external customers

	2011	2010
	HK$'000	HK$'000
Vietnam	**791,051**	817,634
Hong Kong	**16,066**	13,744
Mainland China	**8,346**	7,063
	815,463	838,441

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

(b) Non-current assets

	2011	2010
	HK$'000	HK$'000
Vietnam	**1,758,395**	2,013,260
Hong Kong	**417,246**	342,763
Mainland China	**228,972**	215,102
	2,404,613	2,571,125

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

Information about a major customer

Revenue of approximately HK$157,250,000 (2010: HK$155,967,000) was derived from sales by cement products segment to a single customer.

3. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and gross rental income received and receivable from investment properties during the year.

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

	2011	2010
	HK$'000	HK$'000
Revenue		
Sale of cement	**677,428**	702,428
Gross rental income	**128,034**	126,510
Sale of electronic products	**5,489**	4,437
Sale of traditional Chinese medicine products	**1,229**	1,618
Sale of plywood and other wood products	**3,283**	3,448
	815,463	838,441
Other income and gains		
Interest income	**4,891**	6,332
Income from sale of scrap materials	**4,369**	6,988
Others	**2,647**	509
	11,907	13,829

4. PROFIT BEFORE TAX

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

	2011	2010
	HK$'000	HK$'000
Cost of inventories sold	**487,884**	531,735
Depreciation	**53,139**	61,769
Amortisation of prepaid land lease payments	**2,662**	2,868
Research and development costs	**240**	938
Auditors' remuneration	**1,868**	1,964
Minimum operating lease payments in respect of land and buildings	**686**	725
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**48,107**	50,238
Equity-settled share option expense	**-**	277
Pension scheme contributions	**602**	640
	48,709	51,155
Foreign exchange differences, net	**26,707**	31,368
Direct operating expenses (including repairs and maintenance) arising on rental - earning investment properties	**21,125**	16,627
Impairment of loans to associates	**2,184**	2,360
Impairment of trade receivables	**635**	65
Impairment of a deposit and other receivables	**96,970**	1,212
Impairment of goodwill	**183**	-
Impairment of items of property, plant and equipment	**-**	960
Fair value losses on derivative financial instruments	**-**	1,158
Loss on disposal of items of property, plant and equipment	**-**	8

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	HK$'000	HK$'000
Interest on overdrafts and bank loans wholly repayable within five years	**43,277**	39,915
Interest on finance leases	**124**	131
Total interest expense on financial liabilities not at fair value through profit or loss	**43,401**	40,046

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on the profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2011	2010
	HK$'000	HK$'000
Current - elsewhere		
Charge for the year	**27,620**	24,603
Underprovision in prior years	**1,185**	6,807
Deferred	**17,801**	(7,718)
Total tax charge for the year	**46,606**	23,692

7. DIVIDENDS

	2011	2010
	HK$'000	HK$'000
Interim - HK 2 cents (2010: HK 4 cents) per ordinary share	**10,240**	20,456
Final proposed subsequent to the reporting period - HK 3 cents (2010: HK 2 cents) per ordinary share	**15,358**	10,240
	25,598	30,696

The proposed final dividend for the year ended 31 December 2011 is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 511,942,295 (2010: 511,393,418) in issue during the year.

The calculation of diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2011	2010
	HK$'000	HK$'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**63,997**	45,377

	Number of shares	
	2011	2010
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**511,942,295**	511,393,418
Effect of dilution - weighted average number of ordinary shares: Share options	**201,363**	469,410
	512,143,658	511,862,828

9. TRADE RECEIVABLES

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

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

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**37,007**	41,535
31 to 60 days	**5,507**	11,597
61 to 90 days	**2,469**	3,782
91 to 120 days	**4,048**	3,222
Over 120 days	**5,021**	8,537
	54,052	68,673

10. TRADE PAYABLES

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

	2011	2010
	HK$'000	HK$'000
0 to 30 days	**14,892**	17,930
31 to 60 days	**3,941**	6,408
61 to 90 days	**1,164**	3,974
91 to 120 days	**350**	399
Over 120 days	**8,443**	24,983
	28,790	53,694

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

Included in the trade payables as at 31 December 2010 was an amount of HK$5,613,000 due to associates which is non-interest-bearing and is normally settled on term of 60 days.

BUSINESS REVIEW AND PROSPECTS

Vietnam economic growth was seen slowing down during 2011, with its real GDP grew only a moderate 5.89% when comparing to 6.8% of last year. Vietnam government strived to control the rocketing inflation rate during the year. According to official statistics, the inflation rate for 2011 reached 18.13%. Various tightened economic measures were adopted by the government aiming to ease the inflationary pressure. The State Bank repeatedly raised the interest rates, causing general commercial lending rates to exceed 20% over the year. As a result, enterprises were operating in a difficult environment whereas infrastructure projects and activities also dropped significantly. Another major measure by the government was to cut its public spending substantially which thus contributed to the slow pace of economic growth during the year.

With the uncertain economic environment, the government further depreciated the rate of Vietnamese Dong ("VND") to USD for 7.9% at the beginning of 2011, which thus weakened foreign investors' confidence in investing in Vietnam. For the year 2011, Vietnam recorded newly registered foreign direct investments of only US$14.7 billion, representing a drop of over 20% on a year-on-year basis. Foreseeing 2012, since Vietnam's trade deficit has become stable and slightly improved, pressure on VND depreciation shall be lesser. While inflation pressure has also seen easing, the State Bank announced to cut its interest rate for 1% in March 2012. It is estimated that the economic situation shall be more stable and may show moderate improvement in 2012.

For the year ended 31 December 2011, the Group recorded a turnover of HK$815,463,000, representing a decrease of 2.7% as compared to HK$838,441,000 of last year. Turnover from the cement business was HK$677,428,000 representing a year-on-year decrease of 3.6%, whereas turnover from the property investment was HK$128,034,000, representing a slight increase of 1.2% as compared to 2010.

The consolidated net profit attributable to shareholders was HK$63,997,000 for the year, representing an increase of approximately 41.0% when compared to HK$45,377,000 of 2010. Earnings per share for 2011 was HK 12.5 cents, representing an increase of 40.4% when compared to HK 8.9 cents of last year.

Cement Business

For 2011, the Group achieved total sales of 1,786,000 tons of cement and clinkers, representing a decrease of 17.7% as compared to 2010, whereas the sales amount was HK$677,428,000, representing a year-on-year decrease of 3.6%. Although quantity sales of cement dropped, profits margin improved due to increased cement selling price. As a result, the after-tax contribution of the Group's cement business to the parent company managed to turn from a loss of HK$24,814,000 from last year to that of a profit of HK$45,355,000 in 2011.

Decrease in quantity sales of the cement plant was mainly attributed to the government austerity measures, which caused the construction business and infrastructure projects to slow down to a large extent. The market demand for cement dropped substantially as a consequence.

On the production side, due to severe inflation during the year, production costs increased in general in which electricity increased 10%, coal price increased 45%, whereas bauxite and gypsum increased over 20%. Besides, surging bank lending rate also led to an increase in interest expenditure of the cement plant, and the devaluation of VND also impacted to the profits of the cement plant. Fortunately, the cement plant managed to increase its selling price by an average of 43% during the year, which not only be able to cover costs increase and currency devaluation, but also helped the cement plant to turn back to profits in the year.

Overseeing 2012, market for cement sales is still difficult especially in the first half of the year when situation of oversupply in the market continues. And some of the production costs such as coal price and electricity are still on a rising trend. Whereas in the second half of the year, inflation shall become more stable and interest rate is expected to be lowered a bit. Thus, construction works and infrastructure projects are expected to be back on track gradually. In particular, there will be some large scale infrastructure projects being kicked start in the central region during 2012. Thus, the Group's cement sales shall be benefited.

Recently, the government has decided to replace asphalt with cement as the major construction material for roads and highways in Vietnam. Life of a cement road is around 30 years as compared to only 5 to 10 years for a road being built with asphalt. According to the Minster of Transportation, cement will be used in priority for roads in central regions where flooding is frequent, coastal region and highways projects in Ho Chi Minh City. It is believed that the change shall benefit to the Group's cement plant which is strategically located in the central region of Vietnam.

Saigon Trade Center and Property Investments

Being distressed by high inflation rate, high interest rates and currency devaluation, Vietnam was not much benefited from a strong flow of foreign capital into Asian countries during 2011. Vietnam recorded a mere 14.7 billion foreign direct investments in 2011, a drop of over 20% comparing to last year.

In the office leasing market, demand for office spaces in Ho Chi Minh City recorded only a slight growth in 2011 due to the lack of strong inflow of foreign companies setting up office in Ho Chi Minh City. On the other hand, new supply of office spaces in the market brought pressure on the renewal rental rate of Saigon Trade Center during the year.

As at 31 December 2011, the occupancy rate of Saigon Trade Centre increased to 82%, as compared to 76% of 2010. But the average rental rate continued to decline for 5% during the year. However, total rental income of Saigon Trade Center still recorded an increase of 6% as compared to last year.

Looking forward to 2012, the total rental income of Saigon Trade Center is expected to grow slightly especially foreseeing a more stable economic environment in Vietnam. Yet, on the other hand, new supply of office spaces in the market may also poses threat to the occupancy rate and the average rental rate of Saigon Trade Centre. But being affected by tightened economic measures and high borrowing costs for property development, new projects on office buildings are expected to be limited in the next coming years.

The rental income of the Group's other investment properties located in Hong Kong and the PRC have been stable during the year.

Benefited by value appreciation of the Group's property in China and Hong Kong, the Group recorded an increase in property revaluation surplus of HK$89,566,000 in 2011, representing an increase of 135% as compared to HK$38,075,000 of last year.

Property Development

During 2011, as a mean of controlling inflation, the State Bank of Vietnam repeatedly raised the interest rates and thus causing general commercial lending rates to exceed 20%. Commercial banks providing loans to property development projects were especially cautious and reluctant. The mortgage rate also stood high to over 20% during the year. As a result, the property market turned very stagnant in 2011.

Considering the existing harsh market conditions, the Group has slowed its pace of development for the project in Binh Thanh District, Hochiminh City. Construction of the project is not expected to commence until the property market shows clear signs of improvement in the coming near future.

In regards to the Group's another joint venture, Viet Lien Luks Company Limited ("Viet Lien Luks"), which is jointly owned with Viet Lien A ("VLA"), a Vietnamese partner to develop a 19 hectares site in Binh Chanh District, Hochiminh City, the updated situation is as follows. The Group found that the plot ratio of the project undertaken by VLA in according to the contract could not be granted by relevant authorities in Vietnam. Despite efforts in resolving the issue, no resolution has been achieved yet. The latest proposal by the Group is to withdraw from the project and sell all holding in Viet Lien Luks to VLA, in return for VLA to return to the Group an equivalent amount of VND255,744,000,000 (equivalent to HK$96,373,000), being the amount having been contributed by the Group to the joint venture. In principle, VLA agreed verbally to the latest proposal by the Group. However, over more than a year of negotiations, details of the proposal have not been finalised and no legally binding agreement has been achieved. Considering the difficulties in negotiating with VLA to get back the contributed amount and a dimmed possibility of the Group in disposing its holding in the project due to the stagnant property market in Vietnam, the Group decided to make full provision for the amount of VND255,744,000,000 (equivalent to HK$96,373,000) in its annual accounts for the year ended 31 December 2011. The provision does not affect the Group's processing in negotiating with VLA. The Group is still on keen negotiation with VLA to seek for the best solution in resolving the issue.

Mongolia' economic situation and investment atmosphere improved significantly during 2011. The Group has resumed the development of its residential property project in Ulaanbaatar. The first phase comprising 20 units of independent villa and townhouse with a total GFA of about 7,600 square meters is under construction. The completion date is expected to be at the end of Oct 2012. Being affected by worse climate in Ulaanbaatar by the end of 2011, pre-sale of the project is postponed to the second quarter of this year.

Dividend

The board of directors recommended to distribute a final dividend of HK 3 cents per share to the shareholders and together with the interim dividend of HK 2 cents per share already distributed, the total dividend for the full year of 2011 will be HK 5 cents per share.

FINANCIAL REVIEW

The Group's cash, bank balances and time deposits as at 31 December 2011 amounted to HK$170,247,000 (31 December 2010: HK$179,802,000). The Group's total borrowings amounted to HK$289,326,000 (31 December 2010: HK$404,268,000), of which HK$197,877,000 (31 December 2010: HK$293,666,000) was repayable within 1 year and HK$91,449,000 (31 December 2010: HK$110,602,000) was repayable from 2 to 5 years.

The percentage of the Group's borrowings denominated in HK$, US$ and Vietnamese Dong ("VND") were 13.9%, 34.6% and 51.5% respectively. Of the total borrowings, about 39.4% were at fixed interest rates.

The gearing ratio, which is net debt divided by the equity attributable to equity holders of the parent, was 5.8% as at 31 December 2011 (31 December 2010: 10.6%).

Significant investments held

As at 31 December 2011, the Group has no significant investment held.

Employees and Remuneration Policy

As at 31 December 2011, the Group had approximately 1,600 employees. Most of them were in Vietnam. The total staff cost (excluding directors remuneration) was approximately HK$48,709,000 for the year ended 31 December 2011 (31 December 2010: HK$51,155,000). There was no significant change in the Group's remuneration policy as compared to last financial year.

Details of charges

As at 31 December 2011, the Group pledged certain property, plant and equipment at a net carrying value of HK$740,642,000, prepaid land lease payments at a net carrying value of HK$9,447,000 and certain investment properties at a carrying value of HK$186,000,000.

Exposure to fluctuations in exchange rates and related hedges

The Group has exposed to the risk of exchange rate's fluctuation in Vietnamese Dong (“VND”) for its investments in Vietnam, especially the income and foreign currency loans of the cement plant. The exchange rate of VND to USD was comparatively volatile throughout the accounting period, with a devaluation of 7.9% as at 31 December 2011 when compared to the rate as at 31 December 2010. Since VND is not a freely convertible currency, hedging instruments in the market are very limited. Besides, as the interest rate deviation between VND and USD was as high as 15-17%, the cost for adopting such exchange rate hedging instrument was thus so expensive and ineffective. The cost for such hedged instrument may possibly be higher than the rate of VND devaluation per annum. As a result, the Company has not employed any hedged instrument to hedge against the exchange risk during the year. In order to minimize exposure to the exchange risk, most of the expenditure of the cement plant and the Saigon Trade Centre are in VND. As at 2011, Vietnam government decreed that VND must be used for pricing of goods and services to be provided in Vietnam. As a result, the Group’s Saigon Trade Centre has since processed to change the denomination of its leasing contracts from USD to VND.

Details of contingent liability

As at 31 December 2011, the Group has no significant contingent liability (31 December 2010: Nil).

PROPOSED FINAL DIVIDEND AND CLOSURE OF REGISTER OF MEMBERS

The Directors recommended a final dividend of HK 3 cents (2010: HK 2 cents) per share. And the Register of Members will be closed for the following periods:

(a) To ascertain shareholder's eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Thursday, 10 May 2012 to Friday, 11 May 2012, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending and voting at the Annual General Meeting, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, 9 May 2012.

(b) To ascertain shareholder's entitlement to the proposed final dividend upon the passing of the resolution no.2 set out in the notice, the register of members of the Company will be closed from Thursday, 17 May 2012 to Friday, 18 May 2012, both dates inclusive, during which period no transfers of shares shall be effected. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on Wednesday, 16 May 2012.

The payment date of the dividend is expected to be 30 May 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2011, the Company had repurchased from the market a total of 62,000 shares at price per share ranging from HK$1.35 to HK$1.36 with a total amount of about HK$83,940. All of the repurchased shares were subsequently cancelled.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased or sold or redeemed any of the Company's listed securities during the year ended 31 December 2011.

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.

Following the issue of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Hong Kong Listing Rules, the Company has carefully reviewed and considered its provisions, and carried out a detailed analysis on the corporate governance practices of the Company against the requirements of the Code. Throughout the financial year ended 31 December 2011, except for the requirements that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual (code provision A.4.1) and all directors should retire and rotate for at least every three years (code provision A.4.2), the Company has complied with all code provisions of the Code on Corporate Governance Practices.

Currently, the roles of Chairman and Chief Executive Officer of the Company are performed by Mr. Luk King Tin. Mr. Luk is the founder of the Company, has been the Chairman and the Chief Executive Officer of the Company and 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.

According to the Company's Bye-laws, the Chairman of the Board and the Managing Director 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 the deviation is acceptable.

AUDIT COMMITTEE

The Company has established the audit committee, which is comprised solely of independent non-executive directors, namely Mr. LIANG Fang, Mr. LIU Li Yuan and Mr. TAM Kan Wing. All members of our audit committee have many years of finance and business management experience and expertise. The audit committee's primary responsibilities include, among other things, making recommendation to the board of directors on the appointment, reappointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit procedure in accordance with applicable standards, developing and implementing policies on the engagement of external auditors to provide non-audit services, monitoring the integrity of financial statements of the Company and the Company's report and financial statements and overseeing the Company's financial reporting system and internal control procedures.

In 2011, the audit committee met twice, and mainly reviewed the integrity of the Company's financial statements, annual report and accounts, interim report and the significant financial reporting judgments contained in such financial statements and reports, discussed and approved the budgets and remuneration of, and services provided by, the external auditors, reviewed the Company's internal audit procedures and reports, reviewed and the compliance situation with relevant laws and regulations. All members attended both meetings.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Hong Kong Listing Rules (the "Model Code") to regulate the directors' securities transactions. All directors have confirmed, following enquiry by the Company, that they have complied with the Model Code during the period between 1 January 2011 and 31 December 2011.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

By Order of the Board
Luks Group (Vietnam Holdings) Co., Ltd.
Luk King Tin
Chairman

Hong Kong, 29 March 2012

As at the date of this announcement, the Board of Directors comprises Mr. Luk King Tin, Ms. Cheng Cheung, Mr. Luk Yan, Mr. Fan Chiu Tat, Martin and Mr. Luk Fung (who are executive directors), and Mr. Liu Li Yuan, Mr. Liang Fang and Mr. Tam Kan Wing (who are independent non-executive directors).

* *For identification purpose only*