

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



POLYTEC ASSET HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

The board of directors (the “**Board**”) of Polytec Asset Holdings Limited (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2012.

UNAUDITED CONSOLIDATED INCOME STATEMENT

		For the six months ended 30 June	
	Note	2012 HK\$'000	2011 HK\$'000
TURNOVER	2	296,224	103,845
Cost of sales		<u>(95,554)</u>	<u>(35,747)</u>
Gross profit		200,670	68,098
Other income		12,758	50,073
Selling and distribution costs		(86,501)	(8,591)
Administrative expenses		(30,289)	(31,633)
Other operating expenses		<u>(17,688)</u>	<u>(22,010)</u>
PROFIT FROM OPERATIONS		78,950	55,937
Gain arising from change in fair value of investment properties		–	600
Finance costs		(14,733)	(11,600)
Share of results of jointly controlled entity		<u>56,650</u>	<u>122,550</u>
PROFIT BEFORE TAX	2	120,867	167,487
Income tax expenses	3	<u>7,100</u>	<u>(11,478)</u>
PROFIT FOR THE PERIOD	4	<u><u>127,967</u></u>	<u><u>156,009</u></u>

UNAUDITED CONSOLIDATED INCOME STATEMENT (Continued)

		For the six months ended 30 June	
		2012	2011
	<i>Note</i>	HK\$'000	HK\$'000
ATTRIBUTABLE TO:			
Equity holders of the Company		126,635	142,066
Non-controlling interests		1,332	13,943
		<u>127,967</u>	<u>156,009</u>
EARNINGS PER SHARE – Basic/diluted	5	<u>2.85 HK cents</u>	<u>3.20 HK cents</u>
DIVIDEND PER SHARE	6	<u>0.90 HK cent</u>	<u>0.90 HK cent</u>

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2012	2011
		HK\$'000	HK\$'000
PROFIT FOR THE PERIOD		127,967	156,009
OTHER COMPREHENSIVE INCOME:			
Gain on fair value changes of interests in property development		–	12,942
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX		–	12,942
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>127,967</u>	<u>168,951</u>
ATTRIBUTABLE TO:			
Equity holders of the Company		126,635	155,008
Non-controlling interests		1,332	13,943
		<u>127,967</u>	<u>168,951</u>

UNAUDITED CONSOLIDATED BALANCE SHEET

		30 June	31 December
		2012	2011
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		1,433,270	1,378,046
Oil exploitation assets		117,143	120,785
Investment properties		5,600	5,600
Interest in jointly controlled entity		629,567	572,916
Interests in property development		10,190,981	10,190,981
Deferred taxation		13,524	4,148
Goodwill		16,994	16,994
		<u>12,407,079</u>	<u>12,289,470</u>
CURRENT ASSETS			
Amount due from jointly controlled entity		98,037	115,834
Held for trading investments		6,810	8,610
Inventories		112,566	116,621
Trade and other receivables	7	57,980	52,972
Cash and cash equivalents		252,506	288,694
Tax recoverable		–	311
		<u>527,899</u>	<u>583,042</u>
CURRENT LIABILITIES			
Dividend payable		66,585	–
Trade and other payables	8	231,444	226,892
Bank loans		–	195,000
Current taxation		43,798	41,966
		<u>341,827</u>	<u>463,858</u>
NET CURRENT ASSETS		<u>186,072</u>	<u>119,184</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		12,593,151	12,408,654

UNAUDITED CONSOLIDATED BALANCE SHEET (Continued)

	30 June 2012	31 December 2011
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Amount due to immediate holding company	1,163,171	1,227,021
Amount due to ultimate holding company	865,090	680,579
Other payables	48,957	46,637
Deferred taxation	19,442	19,308
	<u>2,096,660</u>	<u>1,973,545</u>
NET ASSETS	<u>10,496,491</u>	<u>10,435,109</u>
CAPITAL AND RESERVES		
Share capital	443,897	443,897
Reserves	10,039,292	9,979,242
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	10,483,189	10,423,139
NON-CONTROLLING INTERESTS	<u>13,302</u>	<u>11,970</u>
TOTAL EQUITY	<u>10,496,491</u>	<u>10,435,109</u>

Notes:

1. Accounting policies

These unaudited interim financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants as applicable to condensed interim financial statements and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

The accounting policies used in these unaudited interim financial statements are consistent with those used in the annual financial statements of the Group for the year ended 31 December 2011.

2. Segment information

The Group had four operating segments which included properties investment, trading and development related activities (“**Properties**”), oil exploration and production related activities (“**Oil**”), manufacturing of ice and provision of cold storage and related services (“**Ice and Cold Storage**”) and other miscellaneous operations (“**Others**”).

	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Turnover		
– Properties	1,734	49,420
– Oil	259,637	27,333
– Ice and Cold Storage	34,853	27,092
– Others	–	–
	<u>296,224</u>	<u>103,845</u>
	For the six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit/(loss) before tax		
– Properties	3,705	84,908
– Oil	73,182	(29,123)
– Ice and Cold Storage	9,578	7,597
– Others	(1,583)	(821)
	<u>84,882</u>	<u>62,561</u>
– Gain arising from change in fair value of investment properties	–	600
– Share of results of jointly controlled entity	56,650	122,550
– Corporate portion	(20,665)	(18,224)
	<u>120,867</u>	<u>167,487</u>

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Assets		
– Properties	10,302,437	10,302,973
– Oil	1,459,860	1,414,643
– Ice and Cold Storage	171,472	163,556
– Others	7,028	8,610
	11,940,797	11,889,782
– Interest in and amount due from jointly controlled entity	727,604	688,750
– Corporate portion	266,577	293,980
	12,934,978	12,872,512

3. Income tax expenses

	For the six months ended 30 June	
	2012 HK\$'000	2011 HK\$'000
Current tax		
– Hong Kong Profits Tax	1,090	366
– Overseas income tax	1,053	13,202
Deferred tax	(9,243)	(2,090)
	(7,100)	11,478

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profits for the six months ended 30 June 2012. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdiction.

4. Profit for the period

Profit for the period is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation and amortisation	48,925	9,285
Interest on borrowings	13,709	10,370
Gain on disposal of investment properties	—	(44,951)
	<u> </u>	<u> </u>

5. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following information:

	For the six months ended 30 June	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<i>Earnings</i>		
Earnings for the purposes of calculating basic and diluted earnings per share	<u>126,635</u>	<u>142,066</u>
<i>Number of shares</i>		
Number of ordinary shares for the purposes of calculating basic and diluted earnings per share	<u>4,438,967,838</u>	<u>4,438,967,838</u>

6. Dividends

Subsequent to the balance sheet date, the Board has declared an interim dividend of 0.90 HK cent (2011: 0.90 HK cent) per ordinary share, totalling HK\$39,951,000 (2011: HK\$39,951,000), in respect of the six months ended 30 June 2012.

During the six months ended 30 June 2012, a final dividend of 1.50 HK cents (2011: 1.50 HK cents) per ordinary share, totalling HK\$66,585,000 (2011: HK\$66,585,000), attributable to the previous financial year was approved.

7. Trade and other receivables

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	<u>7,479</u>	<u>3,442</u>
31 days to 60 days past due	4,573	2,658
61 days to 90 days past due	1,062	1,507
Over 90 days past due	<u>843</u>	<u>628</u>
Amounts past due	<u>6,478</u>	<u>4,793</u>
Trade receivables	13,957	8,235
Other receivables	<u>44,023</u>	<u>44,737</u>
	<u>57,980</u>	<u>52,972</u>

The Group has established different credit policies for each of the Group's businesses and allows a credit period of not more than 90 days to its trade customers.

8. Trade and other payables

	30 June 2012 HK\$'000	31 December 2011 HK\$'000
Ageing analysis of trade payables:		
Over 90 days	<u>–</u>	<u>6,118</u>
Trade payables	–	6,118
Deposits received from sale of properties	289	1,885
Government fees and levies	86,091	74,493
Outstanding consideration payable for the acquisition of a subsidiary	–	9,945
Other payables	<u>145,064</u>	<u>134,451</u>
	<u>231,444</u>	<u>226,892</u>

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS AND DIVIDENDS

For the six months ended 30 June 2012, the Group's unaudited net profit attributable to shareholders amounted to HK\$126.6 million compared to HK\$142.1 million in the corresponding period of 2011. The basic interim earnings per share for 2012 amounted to 2.85 HK cents compared to 3.20 HK cents over the same period in 2011.

Excluding revaluation gains for the Group's investment properties net of deferred taxes, the underlying net profit for the first six months of 2012 rose to HK\$87.0 million, an increase of 50.1% over the corresponding period in 2011. The underlying interim earnings for 2012 were 1.96 HK cents compared to 1.31 HK cents over the same period in 2011.

The Board has proposed the payment of an interim dividend of 0.9 HK cent per share for the six months ended 30 June 2012 (2011: 0.9 HK cent). The interim dividend will be payable on 12 October 2012 to the shareholders whose names appear on the register of members of the Company on 4 October 2012.

BUSINESS REVIEW

For the period under review, the increase in the Group's underlying net profit was mainly due to significant improvement in operating results of the Group's oil business, with the segment's operating profit amounting to HK\$73.2 million for the first six months of 2012 compared to an operating loss of HK\$29.1 million during the corresponding period in 2011.

Property Development

As of 30 June 2012, the development landbank in Macau attributable to the Group amounted to approximately 716,000 sq. m. gross floor area. All of the Group's existing development sites are favourably situated adjacent to the landing point of the Hong Kong-Zhuhai-Macau Bridge. The status of the Group's major projects under development in Macau is set out below.

Pearl Horizon, Lote P, The Orient Pearl District

Lote P, which is an 80%-owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed by phases into various luxury residential towers, together with a large shopping mall, a club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq. m.. The architectural plan was approved and construction work is scheduled to be commenced before the end of this year.

Lotes T+T1, The Orient Pearl District

Lotes T+T1 combined covers an aggregate site area of approximately 17,900 sq. m. This project, in which the Group owns an 80% interest, will be developed into a number of high-end residential blocks and some retail shops with car parking facilities, having an aggregate gross floor area of approximately 195,600 sq. m.. The architectural plan was approved and foundation work will be commenced after we have completed all necessary formalities.

Property Investment

For the first six months of 2012, the Group's share of gross rental income generated from its investment properties rose to HK\$21.5 million, an increase of 8.8% over the same period in 2011. The increase in total rental income was mainly due to a continuous improvement in overall rental income for both the retail and office portion of The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of the property attributable to the Group rising 17.2% to HK\$19.2 million in the first half of 2012.

Oil

For the six months ended 30 June 2012, total revenue generated from the oil business rose considerably to HK\$259.6 million, with an operating profit of HK\$73.2 million, compared to total revenue of HK\$27.3 million and an operating loss of HK\$29.1 million during the corresponding period in 2011. The significant improvement in operating results was mainly due to the Group's successful drilling program and its efforts to overcome various challenges in its oil fields in Kazakhstan. In fact, two new wells, which have been put into production in September and December 2011, contributed a majority of the production volume during the period under review, with the aggregate daily production rate having reached 1,550 barrels by 30 June 2012.

Ice and cold Storage

The cold storage and ice manufacturing businesses have performed well during the period under review, with the combined operating profit from the segment rising 26.1% to HK\$9.6 million in the first six months of 2012.

FINANCIAL REVIEW

As of 30 June 2012, total book value of the Group's assets amounted to HK\$12,935 million as compared with HK\$12,873 million at end-2011. Net asset value of the Group amounted to HK\$10,496 million as of 30 June 2012, with cash and cash equivalents of HK\$252.5 million, denominated mainly in Hong Kong dollars.

The Group's gearing ratio, expressed as a percentage of total borrowings, which include total bank borrowings and the total amounts due to the holding companies of the Company, over the equity attributable to equity holders of the Company, decreased to 19.3% at 30 June 2012 from 20.2% at end-2011. The decrease was mainly due to the repayments of the bank borrowings. As of 30 June 2012, the amount due to the immediate holding company of HK\$1,163 million and due to the ultimate holding company of HK\$865.1 million are both unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment.

As of 30 June 2012, certain assets of the Group, with total book value of approximately HK\$125.6 million, were pledged to secure the banking facilities to the Group.

The Group's capital commitments, mainly for its oil business, amounted to HK\$96.9 million as of 30 June 2012. These capital commitments are expected to be financed by the internal resources of the Group.

In view of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in the Kazakhstan Tenge ("KZT"), the local currency of Kazakhstan. While the majority of the operating expenses, as well as capital expenditure, of the Group's oil business is denominated in the KZT, over 80% of its revenue generated from this segment is denominated in the USD. Due to the currency mismatch between the Group's revenues and expenditures in Kazakhstan, we are closely monitoring the fluctuation in the KZT and evaluating its impacts on the Group's financial position. We will use appropriate currency hedging to minimize the currency risks associated with this business if necessary.

PROSPECTS

Over the past six months, the world's major economies have been slowing, with the extent of the growth slowdown varying across countries. The Macau economy has inevitably been affected. The growth slowdown in Macau became noticeable in May this year when total tourist arrivals fell 6.5% in the month compared to an average increase of 8.4% in 2011 and gross gaming revenues rose only 7.2% compared to an average of increase of 44% in 2011. The Macau government projects that the economy will only likely grow at a single-digit rate for 2012 compared to 21% in 2011 and 27% in 2010. Nevertheless, we are confident that the Macau economy will be well supported by the existing new mega infrastructure projects as well as casino projects. Its strong economic fundamentals will continue to buoy up its property market over the medium and long term.

The construction work on Pearl Horizon, Lote P in the Orient Pearl District, the Group's 80%-owned mega luxury residential and commercial development project in Macau, is scheduled to be commenced in the fourth quarter of this year. For the Lotes T+T1 project, we are currently clearing all necessary formalities for this development project before the start of construction work.

For the next three to four years before completion of two development property projects, there will be an earnings shortfall. However, during the period under review, the operating results from the Group's oil business was encouraging, with its operating profit supporting the Group's earnings in the absence of income from its development projects. A further two wells were successfully put into production in July 2012. It is expected that the aggregate daily production may further increase in the second half of 2012. The increase in oil production is expected to contribute growing earnings to the Group's 2012 full year results. In view of the Group's initial success in its Kazakhstan's oil operation, the Board is assessing whether the Group should explore further investment opportunities in the oil and gas industry, which may become one of the Group's possible major sources of income.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 3 October 2012 to Thursday, 4 October 2012 (both days inclusive) in order to determine entitlements of shareholders to the interim dividend. In order to qualify for the entitlement of the interim dividend, the shareholders must ensure that all share transfers, accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 28 September 2012.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 June 2012.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practice as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 June 2012, except for the deviation of the followings.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. Non-executive directors of the Company do not have a specific term of appointment, but subject to rotation in accordance with Article 108(A) of the Articles of Association of the Company.

Code Provisions A.5.1 to A.5.4 stipulate that a nomination committee should be established with specific written terms. The nomination committee of the Company has been established in full compliance with Code Provisions A.5.1 to A.5.4 on 28 August 2012. The members of the nomination committee are Mr. Or Wai Sheun (the chairman of the nomination committee), Mr. Liu Kwong Sang and Mr. Siu Leung Yau. During the period from 1 April 2012 and 28 August 2012, the Board has retained the functions of the nomination committee. The Board believes that the Company has maintained good corporate governances under the principles of the Code Provisions A.5.1 to A.5.4.

The second sentence of Code Provision A.6.7 stipulates independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. An independent non-executive director of the Company was unable to attend the annual general meeting of the Company held on 28 June 2012 due to sickness.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2012.

By the Order of the Board
Polytec Asset Holdings Limited
Or Wai Sheun
Chairman

Hong Kong, 28 August 2012

As at the date of this announcement, Mr. Or Wai Sheun (Chairman), Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching, Mr. Lam Chi Chung, Tommy and Ms. Chio Koc Ieng are executive directors of the Company, Mr. Lai Ka Fai and Ms. Or Pui Ying, Peranza are non-executive directors of the Company and Mr. Anthony Francis Martin Conway, Mr. Siu Leung Yau and Mr. Liu Kwong Sang are independent non-executive directors of the Company.