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POLYTEC ASSET HOLDINGS LIMITED

保利達資產控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 208)

2014 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- The Group's unaudited net profit attributable to equity holders of the Company for the first six months of 2014 fell to HK\$29.2 million, a decrease of 50% over the corresponding period in 2013.
- Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first six months of 2014 amounted to HK\$10.3 million, compared to underlying net loss of HK\$37.5 million for the corresponding period in 2013. The underlying net interim earnings per share for 2014 was 0.23 HK cent compared to the underlying net interim loss per share of 0.84 HK cent in 2013.
- Interim dividend per share for 2014 amounted to 0.20 HK cent (2013: 0.90 HK cent).

INTERIM RESULTS AND DIVIDENDS

For the six months ended 30 June 2014, the unaudited net profit attributable to equity holders of the Company and its subsidiaries (collectively the “**Group**”) amounted to HK\$29.2 million compared to HK\$58.5 million for the corresponding period of 2013. The interim earnings per share for 2014 amounted to 0.66 HK cent compared to 1.32 HK cents in 2013.

Excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit for the first six months of 2014 amounted to HK\$10.3 million compared to the net underlying loss of HK\$37.5 million for the first six months of 2013. The underlying net interim earnings per share for 2014 was 0.23 HK cent compared to the underlying net interim loss per share of 0.84 HK cent in 2013.

The Board of Directors has declared an interim dividend per share for 2014 of 0.20 HK cent (2013: 0.90 HK cent). The interim dividend will be payable on Tuesday, 11 November 2014 to the shareholders whose names appear on the Register of Members of the Company on Friday, 31 October 2014.

BUSINESS REVIEW

For the period under review, the Group's net profit fell to HK\$29.2 million, a decrease of 50% over the same period in 2013 and the substantial decline in net profit was mainly attributable to the decrease in the revaluation gains from the Group's investment property portfolio and the continued suspension of the oil production in Kazakhstan for the first six months of 2014.

The Group's underlying net profit amounted to HK\$10.3 million for the first six months of 2014 compared to underlying net loss of HK\$37.5 million for the same period in 2013. The improvement in the Group's underlying results for the first half of 2014 came from gains of the disposal of certain car parking spaces at Va Long in Macau and the Group's residential development project in Tuen Mun, Hong Kong as well as the one-off exchange gain in the oil segment.

Property Development

As at 30 June 2014, 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, The Orient Pearl District

Pearl Horizon, a development project in which the Group owns an 80% interests, covers an aggregate site area of approximately 68,000 sq. m. and will be developed into various luxury residential towers, together with a full-facility sizable shopping arcade, a deluxe club house and numerous car parking spaces, with an aggregate gross floor area of approximately 699,700 sq. m.. The foundation work for the whole project will be commenced shortly.

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 with retail shops and car parking spaces. The project covers an aggregate gross floor area of approximately 195,600 sq. m.. The foundation work has been commenced in the fourth quarter of 2013.

Property Investment

For the first half of 2014, the Group disposed of certain car parking spaces at Va Long, Macau and a residential development project in Tuen Mun, Hong Kong, with combined gains from the disposal amounting to HK\$23.7 million.

For the period under review, the Group's share of gross rental income generated from its investment properties rose to HK\$26.7 million, an increase of 9.8% over the same period in 2013. The improvement in income was mainly due to an increase in rents from The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of the property attributable to the Group rising 13.1% to HK\$24.8 million for the first half of 2014.

Oil

For the six months ended 30 June 2014, the segment recorded an operating loss of HK\$15.2 million compared to an operating loss of HK\$29.8 million for the same period in 2013. The continued loss in this segment was due to the fact that the normal oil production for the Group's South Alibek Oilfield in Kazakhstan ("the Oilfield") has not resumed since 1 January 2013, pending the approval of a gas flaring permit for the Oilfield from the government.

For the period under review, the decline in segment operating loss compared to the same period in 2013 was largely due to the one-off exchange gain from the devaluation of Tenge, the local currency of Kazakhstan.

The management has been taking all necessary steps to obtain a gas flaring permit so as to enable the Oilfield to resume normal oil production in Kazakhstan as soon as possible over the past two years. In addition, the Group also has been seeking a long-term solution to tackle the gas flaring issue, with assessment of various viable options having recently been under consideration. However, the current disruption in normal oil production is expected to continue to impact adversely on the Group's earnings in this segment for the second half of 2014.

Ice and cold Storage

During the period under review, total operating profit for the combined cold storage and ice manufacturing segment amounted to HK\$7.1 million compared to HK\$6.2 million in the first six months of 2013. The increase in operating profit was chiefly attributable to the improvement in the industrial ice sector.

PROSPECTS

The Macau economy remained robust in the first half of 2014, being supported by tourism and gaming industries. While the Macau government implemented a new transit visa restriction on 1 July 2014 and this policy may adversely affect short-term performance of the tourism and gaming sectors, the strong fundamentals remain. The economy will continue to be buoyed by the on-going mega infrastructure investment projects and tourism-related development projects. In addition, the government's determination to develop Macau into a world-class leisure destination and tourism hub will make economic growth more sustainable. Hence, the Group remains optimistic about the medium to long-term economic outlook for Macau.

The presale programs for the Group's two luxury residential and commercial development projects in the Orient Pearl District, Macau, Pearl Horizon and Lotes T + T1 have been put on hold since the new laws on property sale activities became effective on 1 June 2013. However, the presale of the two projects is expected to be re-launched after two years of their respective construction when all relevant requirements for presale can possibly be fulfilled.

I would like to take this opportunity to express my gratitude to my fellow directors for their support and all staff for their dedication and hard work.

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2014 together with the comparative figures of 2013 are as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Six months ended 30 June	
		2014	2013
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	93,756	57,087
Cost of sales		<u>(20,645)</u>	<u>(14,587)</u>
Gross profit		73,111	42,500
Other income		17,807	4,553
Selling and distribution expenses		(24,191)	(13,266)
Administrative expenses		(26,320)	(33,407)
Other operating expenses		<u>(30,826)</u>	<u>(28,601)</u>
Profit/(Loss) from operations		9,581	(28,221)
Finance costs	4	(16,389)	(14,760)
Share of profit of joint venture		<u>40,678</u>	<u>116,923</u>
Profit before tax	5	33,870	73,942
Income tax expenses	6	<u>(3,952)</u>	<u>(14,589)</u>
Profit for the period		<u>29,918</u>	<u>59,353</u>
Attributable to:			
Equity holders of the Company		29,232	58,454
Non-controlling interests		<u>686</u>	<u>899</u>
		<u>29,918</u>	<u>59,353</u>
Earnings per share — Basic/Diluted	7	<u>0.66 HK cent</u>	<u>1.32 HK cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	<u>29,918</u>	<u>59,353</u>
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Changes in fair value of interests in property development	<u>306,131</u>	<u>112,165</u>
Other comprehensive income for the period, net of tax	<u>306,131</u>	<u>112,165</u>
Total comprehensive income for the period	<u>336,049</u>	<u>171,518</u>
Attributable to:		
Equity holders of the Company	335,363	170,619
Non-controlling interests	<u>686</u>	<u>899</u>
	<u>336,049</u>	<u>171,518</u>

CONSOLIDATED BALANCE SHEET

	At 30 June 2014 <i>HK\$'000</i> (unaudited)	At 31 December 2013 <i>HK\$'000</i> (audited)
Non-current assets		
Property, plant and equipment	1,131,645	1,136,716
Oil exploitation assets	83,972	84,322
Interests in property development	10,920,232	10,614,101
Interest in joint venture	1,037,680	997,002
Deferred tax assets	81,716	82,702
Goodwill	16,994	16,994
	13,272,239	12,931,837
Current assets		
Amount due from joint venture	14,765	32,766
Held for trading investments	6,810	8,685
Inventories	74,228	105,506
Trade and other receivables	74,465	156,994
Cash and cash equivalents	179,200	209,347
	349,468	513,298
Current liabilities		
Dividend payable	22,195	—
Trade and other payables	106,796	120,546
Current taxation	55,845	52,347
	184,836	172,893
Net current assets	164,632	340,405
Total assets less current liabilities	13,436,871	13,272,242
Non-current liabilities		
Amount due to ultimate holding company	2,130,011	2,247,683
Other payables	37,525	41,416
Deferred tax liabilities	19,504	20,085
	2,187,040	2,309,184
NET ASSETS	11,249,831	10,963,058
Capital and reserves		
Share capital	443,897	443,897
Reserves	10,794,830	10,481,662
Equity attributable to equity holders of the company	11,238,727	10,925,559
Non-controlling interests	11,104	37,499
TOTAL EQUITY	11,249,831	10,963,058

NOTES:

1. BASIS OF PREPARATION

The unaudited interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2013 annual accounts, except for the accounting policy changes that are expected to be reflected in the 2014 annual accounts. Details of these changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to Hong Kong Financial Reporting Standards and one new interpretation that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. 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”).

	Six months ended 30 June 2014				
	Properties	Oil	Ice and Cold Storage	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	<u>12,000</u>	<u>35,209</u>	<u>46,547</u>	<u>—</u>	<u>93,756</u>
Segment result	25,672	(15,161)	7,096	(1,790)	15,817
Corporate portion					<u>(6,236)</u>
Profit from operations					9,581
Finance costs					(16,389)
Share of profit of joint venture	40,678	—	—	—	<u>40,678</u>
Profit before tax					<u>33,870</u>
	At 30 June 2014				
	Properties	Oil	Ice and Cold Storage	Others	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment assets	11,018,417	1,104,231	178,060	6,887	12,307,595
Interest in and amount due from joint venture	1,052,445	—	—	—	1,052,445
Corporate assets					<u>261,667</u>
					<u>13,621,707</u>

	Six months ended 30 June 2013				
	Properties <i>HK\$ '000</i>	Oil <i>HK\$ '000</i>	Ice and Cold Storage <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Turnover	<u>190</u>	<u>19,009</u>	<u>37,888</u>	<u>—</u>	<u>57,087</u>
Segment result	2,726	(29,839)	6,185	(1,344)	(22,272)
Corporate portion					<u>(5,949)</u>
Loss from operations					(28,221)
Finance costs					(14,760)
Share of profit of joint venture	116,923	—	—	—	<u>116,923</u>
Profit before tax					<u>73,942</u>

	At 31 December 2013				
	Properties <i>HK\$ '000</i>	Oil <i>HK\$ '000</i>	Ice and Cold Storage <i>HK\$ '000</i>	Others <i>HK\$ '000</i>	Total <i>HK\$ '000</i>
Segment assets	10,823,418	1,116,039	174,364	8,685	12,122,506
Interest in and amount due from joint venture	1,029,768	—	—	—	1,029,768
Corporate assets					<u>292,861</u>
					<u>13,445,135</u>

4. Finance costs

	Six months ended 30 June	
	2014 <i>HK\$ '000</i>	2013 <i>HK\$ '000</i>
Interest expense on		
Bank and other borrowings wholly repayable within five years	—	9
Amount due to immediate holding company with no fixed repayment terms	—	8,055
Amount due to ultimate holding company repayable after more than one year	<u>15,328</u>	<u>5,906</u>
	15,328	13,970
Other finance costs	<u>1,061</u>	<u>790</u>
	16,389	14,760

5. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Depreciation and amortisation	<u>12,259</u>	<u>13,388</u>

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2014 HK\$'000	2013 HK\$'000
Current tax		
— Hong Kong Profits Tax	1,320	661
— Overseas income tax	2,227	924
Deferred tax	<u>405</u>	<u>13,004</u>
	<u>3,952</u>	<u>14,589</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2013: 16.5%) on the estimated assessable profits for the six months ended 30 June 2014. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

7. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company of HK\$29,232,000 (six months ended 30 June 2013: HK\$58,454,000) and 4,438,967,838 (six months ended 30 June 2013: 4,438,967,838) ordinary shares in issue during the period.

(b) Diluted earnings per share

There is no diluted potential share in existence during the six months ended 30 June 2014 and 2013.

8. DIVIDENDS

	Six months ended 30 June	
	2014	2013
	HK\$'000	HK\$'000
Interim dividend declared after the interim period of 0.20 HK cent (six months ended 30 June 2013: 0.90 HK cent) per share	8,878	39,951

The interim dividend declared after the interim period has not been recognised as a liability at the interim period end date.

9. TRADE AND OTHER RECEIVABLES

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Ageing analysis of trade receivables:		
Within 30 days	15,458	124,653
31 days to 60 days past due	5,057	2,788
61 days to 90 days past due	1,542	1,748
Over 90 days past due	670	1,657
Amounts past due	7,269	6,193
Trade receivables	22,727	130,846
Other receivables	51,738	26,148
	74,465	156,994

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.

10. TRADE AND OTHER PAYABLES

	At 30 June 2014 HK\$'000	At 31 December 2013 HK\$'000
Ageing analysis of trade payables:		
Within 30 days	<u>516</u>	—
31 days to 60 days past due	77	—
Over 90 days past due	<u>3</u>	—
Amounts past due	<u>80</u>	—
Trade payables	<u>596</u>	—
Other payables		
— Government fees and levies	45,434	51,721
— Others	<u>60,766</u>	68,825
	<u>106,200</u>	120,546
	<u>106,796</u>	120,546

11. OIL PRODUCTION ASSETS AND OIL EXPLOITATION ASSETS

As at 30 June 2014, the Group has oil production assets of HK\$991,498,000 (31 December 2013: HK\$992,961,000) (included in property, plant and equipment) and oil exploitation assets of HK\$83,972,000 (31 December 2013: HK\$84,322,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

As at 30 June 2014, the Group assessed the value of the oil production assets and exploitation assets. As the recoverable amount of the oil production assets and exploitation assets exceeded their carrying value, no further impairment loss is considered necessary for the period ended 30 June 2014.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

The Group continued to maintain a sound financial liquidity position in the period under review. As at 30 June 2014, the Group maintained a balance of cash and cash equivalents of HK\$179 million (31 December 2013: HK\$209 million), which were mainly denominated in Hong Kong dollars.

As at 30 June 2014, total borrowings amounted to HK\$2,130 million (31 December 2013: HK\$2,248 million), comprised only the amount due to ultimate holding company repayable after more than one year. The amount due was denominated in Hong Kong dollars and interest bearing at prevailing market rates.

The Group also had unutilised banking facilities of HK\$180 million (31 December 2013: HK\$180 million), which were secured by the Group's land and buildings, denominated in Hong Kong dollars and interest bearing at prevailing market rates, which were subject to review from time to time.

As at 30 June 2014, total equity attributable to equity holders of the Company amounted to HK\$11,239 million (31 December 2013: HK\$10,926 million). The Group's gearing ratio, expressed as a percentage of total borrowings over the equity attributable to equity holders of the Company, slightly decreased to 19.0% from 20.6% as at 31 December 2013.

Treasury Policies

Apart from the Group's oil business, the majority of the Group's sales and purchases are denominated in Hong Kong dollars and Macau Patacas. Due to the fact that the Hong Kong dollar is pegged to the Macau Pataca, the Group's exposure to this foreign exchange risk is relatively low. In respect of the Group's oil business in Kazakhstan, the Group has been exposed to the exchange fluctuations in Tenge ("KZT"), the local currency of Kazakhstan, because the majority of operating expenses and capital expenditure are denominated in KZT, while a significant portion of its revenue is denominated in United States dollars. As at 30 June 2014, the Group did not have any outstanding financial instruments entered into for hedging purposes. Nevertheless, the Group is closely monitoring its overall foreign exchange exposure and interest rate exposure and will adopt a proactive but prudent approach to minimise the relevant exposures when necessary.

Capital Commitments

As at 30 June 2014, the Group had capital commitments contracted but not provided for in the amount of HK\$35 million (31 December 2013: Nil), mainly for the acquisition of property, plant and equipment of the oil business.

Charges on Assets

As at 30 June 2014, certain assets of the Group, with total book value of approximately HK\$118 million (31 December 2013: HK\$120 million), were pledged to secure the banking facilities of the Group.

Contingent Liabilities

As at 30 June 2014, the Group did not have any significant contingent liabilities (31 December 2013: Nil).

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2014.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the “**Code**”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) throughout the six months ended 30 June 2014, save for the following exceptions.

Code Provision A.4.1 of the Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. The 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. As the non-executive directors of the Company are subject to rotation in accordance with the articles of association of the Company, the Board of Directors (the “**Board**”) considers that the non-executive directors of the Company so appointed with no specific term will not impair the quality of corporate governance of the Company as required by the principle of good governance laid down in A.4 of the Code.

The second sentence of Code Provision A.6.7 of the Code stipulates that 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 11 June 2014 as he was abroad overseas at the time.

Code Provision F of the Code stipulates that the Board should appoint a company secretary to support the Board by ensuring good information flow within the Board and that board policy and procedures are followed. Unfortunately, due to the pass away of the late Mr. Lau Sui Cheung, the ex-Company Secretary of the Company, on 22 May 2014 and the Company has not yet appointed a new Company Secretary up to the date of this announcement, the Company has not met the requirement under Rule 3.28 and Code Provision F of the Listing Rules since then. Nevertheless, the Company will appoint the position as soon as practicable to ensure the ongoing compliance of the Listing Rules being fulfilled.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Monday, 3 November 2014 to Tuesday, 4 November 2014, both dates inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 31 October 2014.

PUBLICATION OF INTERIM REPORT

The 2014 Interim Report containing all the information as required by the Listing Rules will be published on the Company's website at www.polytecasset.com.hk and the website of Hong Kong Exchanges and Clearing Limited, while printed copies will be sent to shareholders in due course.

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

Hong Kong, 27 August 2014

As at the date of this announcement, Mr. Or Wai Sheun (Chairman), Mr. Yeung Kwok Kwong, Ms. Wong Yuk Ching 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. Liu Kwong Sang, Mr. Siu Leung Yau, Dr. Tsui Wai Ling, Carlye and Prof. Dr. Teo Geok Tien Maurice are independent non-executive directors of the Company.

* *For identification purpose only*