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## **POLYTEC ASSET HOLDINGS LIMITED**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 208)**

### **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012**

The board of directors (the “**Board**”) of Polytec Asset Holdings Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2012.

#### **CONSOLIDATED INCOME STATEMENT**

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
TURNOVER	2	<b>731,762</b>	234,782
Cost of sales		<b>(279,048)</b>	(90,389)
Gross profit		<b>452,714</b>	144,393
Other income		<b>21,405</b>	124,328
Selling and distribution costs		<b>(216,497)</b>	(38,067)
Administrative expenses		<b>(84,786)</b>	(70,978)
Other operating expenses		<b>(40,132)</b>	(39,859)
PROFIT FROM OPERATIONS		<b>132,704</b>	119,817
Gain arising from change in fair value of investment properties		–	600
Share of results of jointly controlled entity		<b>157,202</b>	138,876
Finance costs		<b>(30,453)</b>	(23,493)
PROFIT BEFORE TAX	3	<b>259,453</b>	235,800
Income tax expenses	4	<b>31,132</b>	(10,907)
PROFIT FOR THE YEAR		<b>290,585</b>	224,893

	<i>Note</i>	<b>2012</b> <b>HK\$'000</b>	2011 <i>HK\$'000</i>
ATTRIBUTABLE TO			
– Equity holders of the Company		<b>287,990</b>	204,503
– Non-controlling interests		<b>2,595</b>	20,390
		<u><b>290,585</b></u>	<u>224,893</u>
 EARNINGS PER SHARE			
– basic/diluted	5	<u><b>6.49 HK cents</b></u>	<u>4.61 HK cents</u>
 DIVIDEND PER SHARE			
	6	<u><b>2.40 HK cents</b></u>	<u>2.40 HK cents</u>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<b>290,585</b>	224,893
OTHER COMPREHENSIVE INCOME:		
Gain on fair value changes of interests in property development	<u>7,277</u>	<u>17,577</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>7,277</u>	<u>17,577</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>297,862</b></u>	<u>242,470</u>
ATTRIBUTABLE TO		
– Equity holders of the Company	<b>295,267</b>	222,080
– Non-controlling interests	<u>2,595</u>	<u>20,390</u>
	<u><b>297,862</b></u>	<u>242,470</u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	<b>2012</b> <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,405,308</b>	1,378,046
Oil exploitation assets		<b>109,014</b>	120,785
Investment properties		–	5,600
Interests in property development		<b>10,198,258</b>	10,190,981
Interest in jointly controlled entity		<b>730,118</b>	572,916
Deferred taxation		<b>41,014</b>	4,148
Goodwill		<b>16,994</b>	16,994
		<b>12,500,706</b>	12,289,470
<b>CURRENT ASSETS</b>			
Amount due from jointly controlled entity		<b>78,358</b>	115,834
Held for trading investments		<b>9,825</b>	8,610
Inventories		<b>120,693</b>	116,621
Trade and other receivables	7	<b>61,646</b>	52,972
Cash and cash equivalents		<b>267,057</b>	288,694
Tax recoverable		–	311
		<b>537,579</b>	583,042
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<b>211,340</b>	226,892
Bank loans		<b>80,000</b>	195,000
Current taxation		<b>39,978</b>	41,966
		<b>331,318</b>	463,858
<b>NET CURRENT ASSETS</b>		<b>206,261</b>	119,184
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>12,706,967</b>	12,408,654
<b>NON-CURRENT LIABILITIES</b>			
Amount due to immediate holding company		<b>1,170,611</b>	1,227,021
Amount due to ultimate holding company		<b>842,884</b>	680,579
Other payables		<b>48,731</b>	46,637
Deferred taxation		<b>19,780</b>	19,308
		<b>2,082,006</b>	1,973,545
<b>NET ASSETS</b>		<b>10,624,961</b>	10,435,109
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>443,897</b>	443,897
Reserves		<b>10,167,974</b>	9,979,242
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>10,611,871</b>	10,423,139
<b>NON-CONTROLLING INTERESTS</b>		<b>13,090</b>	11,970
<b>TOTAL EQUITY</b>		<b>10,624,961</b>	10,435,109

Notes:

## 1. ACCOUNTING POLICIES

The Hong Kong Institute of Certified Public Accountants has issued a number of new and revised Hong Kong Financial Reporting Standards (“HKFRS(s)”, which term collectively includes Hong Kong Accounting Standards and Interpretations) that are effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs has no material impact on the Group’s financial statements.

## 2. SEGMENT INFORMATION

The Group had four (2011: four) operating segments for the year 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”).

	<b>Properties</b> <i>HK\$’000</i>	<b>Oil</b> <i>HK\$’000</i>	<b>Ice and Cold Storage</b> <i>HK\$’000</i>	<b>Others</b> <i>HK\$’000</i>	<b>2012 Total</b> <i>HK\$’000</i>
Turnover	<u>3,090</u>	<u>641,255</u>	<u>87,417</u>	–	<u>731,762</u>
Segment result	6,552	113,144	24,985	1,189	145,870
Corporate portion					<u>(13,166)</u>
Profit from operations					132,704
Share of results of jointly controlled entity	157,202	–	–	–	157,202
Finance costs					<u>(30,453)</u>
Profit before tax					<u>259,453</u>
Segment assets	10,309,694	1,432,869	168,699	9,825	11,921,087
Interest in and amount due from jointly controlled entity	808,476	–	–	–	808,476
Corporate assets					<u>308,722</u>
					<u>13,038,285</u>
Capital expenditure incurred	–	182,474	10,056	–	192,530
Depreciation and amortisation	–	167,800	6,498	–	174,309
Gain arising from change in fair value of held for trading investments	–	–	–	1,215	1,215

During the year ended 31 December 2012, the Group has one customer in the Oil segment whom the Group’s sale are dealt with amounted to HK\$559,503,000 which exceeds 10% of the Group’s revenue.

	Properties <i>HK\$'000</i>	Oil <i>HK\$'000</i>	Ice and Cold Storage <i>HK\$'000</i>	Others <i>HK\$'000</i>	2011 Total <i>HK\$'000</i>
Turnover	<u>49,493</u>	<u>115,513</u>	<u>69,776</u>	<u>–</u>	<u>234,782</u>
Segment result	86,575	(40,691)	23,038	(4,534)	64,388
Corporate portion					<u>55,429</u>
Profit from operations					119,817
Gain arising from change in fair value of investment properties	600	–	–	–	600
Share of results of jointly controlled entity	138,876	–	–	–	138,876
Finance costs					<u>(23,493)</u>
Profit before tax					<u>235,800</u>
Segment assets	10,302,973	1,414,643	163,556	8,610	11,889,782
Interest in and amount due from jointly controlled entity	688,750	–	–	–	688,750
Corporate assets					<u>293,980</u>
					<u>12,872,512</u>
Capital expenditure incurred	–	197,199	6,694	–	203,903
Depreciation and amortisation	5	23,512	5,490	–	29,021
Loss arising from change in fair value of held for trading investments	–	–	–	4,485	4,485

During the year ended 31 December 2011, the Group has one customer in the Oil segment whom the Group's sale are dealt with amounted to HK\$90,877,000 which exceeds 10% of the Group's revenue.

	Turnover		Non-current assets other than financial instruments and deferred tax assets	
	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
The People's Republic of China	<b>90,507</b>	119,269	<b>885,443</b>	730,309
Kazakhstan	<b>641,255</b>	115,513	<b>1,375,991</b>	1,364,032
	<u><b>731,762</b></u>	<u>234,782</u>	<u><b>2,261,434</b></u>	<u>2,094,341</u>

In addition to the above non-current assets, the Group has interests in property development of HK\$10,198,258,000 (2011: HK\$10,190,981,000) in the People's Republic of China.

### 3. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Depreciation and amortisation	174,309	29,021
Interest on borrowings	27,686	21,713
Gain on disposal of investment properties	–	(45,186)
	<u>                    </u>	<u>                    </u>

### 4. INCOME TAX EXPENSES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Current tax		
– Hong Kong Profits Tax	3,164	2,461
– Overseas income tax	2,110	14,712
– Over provision for prior years	(12)	(1,013)
	<u>                    </u>	<u>                    </u>
Deferred tax	5,262	16,160
	<u>(36,394)</u>	<u>(5,253)</u>
	<u>                    </u>	<u>                    </u>
	<u>(31,132)</u>	<u>10,907</u>

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

### 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 data:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>287,990</u>	<u>204,503</u>
<b>Number of shares</b>		
Number of ordinary shares for the purpose of basic and diluted earnings per share	<u>4,438,967,838</u>	<u>4,438,967,838</u>

## 6. DIVIDENDS

Dividends payable to equity holders of the Company attributable to the year:

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.009 per ordinary share (2011: HK\$0.009)	39,951	39,951
Final dividend proposed after the balance sheet date of HK\$0.015 per ordinary share (2011: HK\$0.015)	66,584	66,584
	<u>106,535</u>	<u>106,535</u>

## 7. TRADE AND OTHER RECEIVABLES

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Ageing analysis of trade receivables:		
Within 30 days	3,668	3,442
31 days to 60 days past due	2,808	2,658
61 days to 90 days past due	1,944	1,507
Over 90 days past due	1,169	628
Amounts past due	5,921	4,793
Trade receivables	9,589	8,235
Other receivables	52,057	44,737
	<u>61,646</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

	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Ageing analysis of trade payables:		
Over 90 days	–	6,118
Trade payables	–	6,118
Deposits received from sale of properties	–	1,885
Government fees and levies	104,445	74,493
Outstanding consideration payable for the acquisition of a subsidiary	–	9,945
Other payables	106,895	134,451
	<u>211,340</u>	<u>226,892</u>



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2012, the Group's net profit attributable to shareholders amounted to HK\$288 million, an increase of 40.8% over 2011. Excluding revaluation gains for the Group's investment properties net of taxes, the underlying net profit and earnings per share for 2012 increased considerably to HK\$168 million and 3.78 HK cents from HK\$120 million and 2.71 HK cents respectively in 2011.

The Board has proposed the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2012. Together with the interim dividend of 0.9 HK cent per share, the full year dividend per share for 2012 amounts to 2.4 HK cents. The final dividend will be payable on 17 July 2013 to the shareholders whose names appear on the register of members of the Company on 9 July 2013.

### **BUSINESS REVIEW**

For the period under review, the significant increase in the Group's underlying net profit for 2012 compared to that in 2011 was mainly due to a sharp improvement in earnings from its oil business in Kazakhstan, with the segment recording an operating profit of HK\$113 million up from an operating loss of HK\$41 million. In addition, the Group's ice and cold storage business and its investment property portfolio also performed satisfactorily during 2012.

#### **Property Development**

As of 31 December 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 proposed 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, which is an 80%-owned development project, covers an aggregate site area of approximately 68,000 sq. m. and will be developed into various luxury residential towers, together with a large shopping arcade, 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 expected to be commenced in the first half of 2013 when we obtain the final approval from the relevant government authority.

##### *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, having an aggregate gross floor area of approximately 195,600 sq. m.. The architectural plan was approved. But we have made some amendments to accommodate certain design modifications and it is required to be published in the Official Gazette of Macau before the commencement of the foundation work which is expected within this year.

## **Property Investment**

Despite the disposal of some investment properties in the previous year, gross rental income generated from the Group's investment properties rose to HK\$43.3 million for the year ended 31 December 2012, an increase of 11.7% over 2011. The increase in total rental income was mainly due to a substantial improvement in rental income of the retail portion of The Macau Square, the Group's 50%-owned investment property in Macau, with total rental income of this property attributable to the Group rising 16.5% to HK\$38.8 million in 2012.

## **Oil**

For the year ended 31 December 2012, total revenue generated from the oil segment amounted to HK\$641 million. The segment recorded an operating profit of HK\$113 million in 2012 compared to an operating loss of HK\$41 million in 2011. The significant improvement in this segment profit was mainly due to the positive results generated from the Group's drilling program over the past couple of years. New wells have been put into production during 2012 and the overall production rate reached an average of over 3,000 barrels per day in December 2012 compared to an average of 1,300 barrels during the same period in 2011.

Further to two announcements made by the Company on 3 January 2013 and 1 February 2013, the Group's oil production has temporarily suspended since 1 January 2013, pending approval of a gas flaring permit for the Group's South Alibek Oilfield in Kazakhstan from the government. The management has been taking all necessary steps to obtain the permit for the oilfield as soon as possible. However, the temporary disruption in oil production may affect the Group's earnings from this segment in 2013.

## **Ice and cold Storage**

The performance of the combined cold storage and ice manufacturing business was satisfactory during the year under review, with total operating profit from the segment rising 8.5% to HK\$24.9 million in 2012.

## **FINANCIAL REVIEW**

As of 31 December 2012, total book value of the Group's assets amounted to HK\$13,038 million as compared with HK\$12,873 million at end-2011. Net asset value of the Group amounted to HK\$10,625 million as of 31 December 2012, with cash and cash equivalents of HK\$267 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, slightly decreased to 19.6% at end-2012 from 20.2% at end-2011. As of 31 December 2012, the amount due to the immediate holding company of HK\$1,171 million and due to the ultimate holding company of HK\$843 million are both unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment.

The Group also has bank facilities of HK\$180 million which are secured by the Group's land and buildings, denominated in Hong Kong dollars and bearing interest at prevailing market rates and subject to review from time to time. As of 31 December 2012, HK\$80 million of the facilities was utilised.

As of 31 December 2012, certain assets of the Group, with total book value of approximately HK\$124 million, were pledged to secure the banking facilities to the Group.

As of 31 December 2012, the Group's capital commitments, mainly for its ice and cold storage business, amounted to HK\$3.5 million. 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 is denominated in USD. Due to the currency mismatch between its revenues and expenditures in Kazakhstan, the Group is closely monitoring the fluctuation in the KZT and evaluating the impact on its financial position. The Group will use appropriate currency hedging to minimize the currency risks associated with this business if necessary.

## **PROSPECTS**

In Macau, while various property measures imposed by the government remained in place throughout 2012, the market gradually adapted to the measures and home-buying appetite picked up steadily in the second half of 2012 amid prevailing low interest rates and ample global liquidity created by major central banks around the globe to buoy the economy. The presale of the Group's development project has benefited from these favourable market conditions, with presale of Pearl Horizon being well received by the market. However, the rebound in sentiment and the transaction volume may trigger another round of additional restrictive measures by the government and hence the current favourable market conditions may not be sustained.

According to World Bank, Macau is ranked among the world's top 10 richest economies based on nominal GDP per capita, which increased three times since the government ended the casino gaming monopoly 10 years ago, from approximately US\$15,500 in 2002 to US\$65,500 in 2011. Furthermore, the government's effort to build Macau into an international gaming and tourist hub over the past 10 years has gradually been materialized with completion of a number of large casino resorts and hotels. There are still a number of mega infrastructure projects under construction and development, such as the most notable infrastructure project of Hong Kong-Zhuhai-Macau Bridge, the Light Rail Transit and large-scale private casino related projects. The robust economic outlook and a steady increase in family disposable income will fuel the demand for new homes in the coming years. The Group remains optimistic about the future demand for housing in Macau.

For its 80%-owned luxury residential and commercial development mega project in Macau, Pearl Horizon, the Group recorded total presales over HK\$10 billion as of end-December 2012. Construction work on this project will likely be commenced in the first half of 2013 when all formalities are cleared and the project is expected to be completed in 2016/2017. Despite the successful presale of Pearl Horizon, its presales will not be recognized until 2016/2017. Therefore there will be an earnings shortfall in the property segment in the coming few years. The management is diligently looking into new business opportunities, particularly in the energy sector, which may provide further income to the Group during this period.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 8 July 2013 to Tuesday, 9 July 2013 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2012. In order to qualify for the entitlement of the final 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, 5 July 2013.

## **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.

## **AUDIT COMMITTEE**

The audit committee of the Company has reviewed the annual financial statements of the Group for the year ended 31 December 2012.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company has complied with all the code provisions set out in the former Code on Corporate Governance Practice during the period from 1 January 2012 to 31 March 2012 and the new Corporate Governance Code during the period from 1 April 2012 to 31 December 2012 as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Code") throughout the year ended 31 December 2012, 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 considers that the non-executive directors 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.

Code Provisions A.5.1 to A.5.4 of the Code 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 of the Code 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 was unable to attend the annual general meeting of the Company held on 28 June 2012 due to sickness.

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

Hong Kong, 27 March 2013

*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. 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.*