

*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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011**

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 2011.

#### **CONSOLIDATED INCOME STATEMENT**

	<i>Note</i>	<b>2011</b> <i>HK\$'000</i>	2010 <i>HK\$'000</i>
TURNOVER	2	<b>234,782</b>	963,905
Cost of sales		<u><b>(90,389)</b></u>	<u>(495,759)</u>
Gross profit		<b>144,393</b>	468,146
Other income		<b>124,328</b>	50,648
Selling and distribution costs		<b>(38,067)</b>	(31,699)
Administrative expenses		<b>(70,978)</b>	(54,452)
Other operating expenses		<u><b>(39,859)</b></u>	<u>(26,579)</u>
<b>PROFIT FROM OPERATIONS</b>		<b>119,817</b>	406,064
Gain arising from change in fair value of investment properties		<b>600</b>	–
Share of results of jointly controlled entity		<b>138,876</b>	45,641
Finance costs		<u><b>(23,493)</b></u>	<u>(15,721)</u>
<b>PROFIT BEFORE TAX</b>	3	<b>235,800</b>	435,984
Income tax expenses	4	<u><b>(10,907)</b></u>	<u>(47,417)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>224,893</b></u>	<u>388,567</u>

	<i>Note</i>	<b>2011</b> <b>HK\$'000</b>	2010 <i>HK\$'000</i>
ATTRIBUTABLE TO			
– Equity holders of the Company		<b>204,503</b>	247,019
– Non-controlling interests		<b>20,390</b>	141,548
		<u><b>224,893</b></u>	<u>388,567</u>
EARNINGS PER SHARE – basic/diluted	5	<u><b>4.61 HK cents</b></u>	<u>5.56 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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
PROFIT FOR THE YEAR	<b>224,893</b>	388,567
OTHER COMPREHENSIVE INCOME:		
Gain on fair value changes of interests in property development	<u>17,577</u>	<u>56,524</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	<u>17,577</u>	<u>56,524</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u><b>242,470</b></u>	<u><b>445,091</b></u>
ATTRIBUTABLE TO		
– Equity holders of the Company	<b>222,080</b>	303,543
– Non-controlling interests	<u>20,390</u>	<u>141,548</u>
	<u><b>242,470</b></u>	<u><b>445,091</b></u>

## CONSOLIDATED BALANCE SHEET

	<i>Note</i>	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>1,378,046</b>	1,203,558
Oil exploitation assets		<b>120,785</b>	123,144
Investment properties		<b>5,600</b>	56,000
Interest in jointly controlled entity		<b>572,916</b>	434,040
Interests in property development		<b>10,190,981</b>	10,173,404
Other deposit		–	2,527
Deferred taxation		<b>4,148</b>	2,195
Goodwill		<b>16,994</b>	16,994
		<b>12,289,470</b>	12,011,862
<b>CURRENT ASSETS</b>			
Amount due from jointly controlled entity		<b>115,834</b>	149,984
Held for trading investments		<b>8,610</b>	13,095
Inventories		<b>116,621</b>	125,138
Trade and other receivables	7	<b>52,972</b>	33,588
Cash and cash equivalents		<b>288,694</b>	329,979
Tax recoverable		<b>311</b>	–
		<b>583,042</b>	651,784
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	<b>226,892</b>	151,748
Bank loans		<b>195,000</b>	180,000
Current taxation		<b>41,966</b>	127,401
		<b>463,858</b>	459,149
<b>NET CURRENT ASSETS</b>		<b>119,184</b>	192,635
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>12,408,654</b>	12,204,497
<b>NON-CURRENT LIABILITIES</b>			
Amount due to immediate holding company		<b>1,227,021</b>	1,152,822
Amount due to ultimate holding company		<b>680,579</b>	627,901
Other payables		<b>46,637</b>	46,872
Deferred taxation		<b>19,308</b>	22,608
		<b>1,973,545</b>	1,850,203
<b>NET ASSETS</b>		<b>10,435,109</b>	10,354,294
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>443,897</b>	443,897
Reserves		<b>9,979,242</b>	9,863,697
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>10,423,139</b>	10,307,594
<b>NON-CONTROLLING INTERESTS</b>		<b>11,970</b>	46,700
<b>TOTAL EQUITY</b>		<b>10,435,109</b>	10,354,294

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 (2010: 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>	<b>Oil</b>	<b>Ice and Cold Storage</b>	<b>Others</b>	<b>2011 Total</b>
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>	<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.

	Properties <i>HK\$'000</i>	Oil <i>HK\$'000</i>	Ice and Cold Storage <i>HK\$'000</i>	Others <i>HK\$'000</i>	2010 Total <i>HK\$'000</i>
Turnover	<u>822,160</u>	<u>80,444</u>	<u>61,301</u>	<u>–</u>	<u>963,905</u>
Segment result	386,558	9,798	21,005	4,435	421,796
Corporate portion					<u>(15,732)</u>
Profit from operations					406,064
Share of results of jointly controlled entity	45,641	–	–	–	45,641
Finance costs					<u>(15,721)</u>
Profit before tax					<u>435,984</u>
Segment assets	10,353,091	1,220,557	159,796	13,095	11,746,539
Interest in and amount due from jointly controlled entity	584,024	–	–	–	584,024
Corporate assets					<u>333,083</u>
					<u>12,663,646</u>
Capital expenditure incurred	–	21,230	357	–	21,617
Gain from bargain purchase	–	23,579	–	–	23,579
Depreciation and amortisation	4	17,753	5,084	–	22,863
Gain arising from change in fair value of held for trading investments	–	–	–	4,710	4,710

  

	<b>Turnover</b>		<b>Non-current assets other than financial instruments and deferred tax assets</b>	
	<b>2011</b>	2010	<b>2011</b>	2010
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
The People's Republic of China	<b>119,269</b>	883,461	<b>730,309</b>	640,644
Kazakhstan	<u>115,513</u>	<u>80,444</u>	<u>1,364,032</u>	<u>1,195,619</u>
	<u><b>234,782</b></u>	<u>963,905</u>	<u><b>2,094,341</b></u>	<u>1,836,263</u>

In addition to the above non-current assets, the Group has interests in property development of HK\$10,190,981,000 (2010: HK\$10,173,404,000) in the People's Republic of China.

### 3. PROFIT BEFORE TAX

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

	2011 HK\$'000	2010 HK\$'000
Gain on disposal of investment properties	(45,186)	(681)
Depreciation and amortisation	29,021	22,863
Interest on borrowings	<u>21,713</u>	<u>13,548</u>

### 4. INCOME TAX EXPENSES

	2011 HK\$'000	2010 HK\$'000
Current tax		
– Hong Kong Profits Tax	2,461	2,410
– Overseas income tax	14,712	51,876
– Over provision for prior years	<u>(1,013)</u>	–
	16,160	54,286
Deferred tax	<u>(5,253)</u>	<u>(6,869)</u>
	<u>10,907</u>	<u>47,417</u>

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2010: 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:

	2011 HK\$'000	2010 HK\$'000
<b>Earnings</b>		
Earnings for the purposes of basic and diluted earnings per share	<u>204,503</u>	<u>247,019</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:

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.009 per ordinary share (2010: HK\$0.009)	39,951	39,951
Final dividend proposed after the balance sheet date of HK\$0.015 per ordinary share (2010: HK\$0.015)	<u>66,584</u>	<u>66,584</u>
	<u><b>106,535</b></u>	<u><b>106,535</b></u>

## 7. TRADE AND OTHER RECEIVABLES

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Ageing analysis of trade receivables:		
Within 30 days	<u>3,442</u>	<u>2,906</u>
31 days to 60 days past due	2,658	1,311
61 days to 90 days past due	1,507	1,016
Over 90 days past due	<u>628</u>	<u>4,424</u>
Amounts past due	<u>4,793</u>	<u>6,751</u>
Trade receivables	8,235	9,657
Other receivables	<u>44,737</u>	<u>23,931</u>
	<u><b>52,972</b></u>	<u><b>33,588</b></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

	2011 <i>HK\$'000</i>	2010 <i>HK\$'000</i>
Ageing analysis of trade payables:		
Within 30 days	-	-
31 days to 60 days	-	23
61 days to 90 days	-	4
Over 90 days	<u>6,118</u>	<u>6,147</u>
Trade payables	6,118	6,174
Deposits received from sale of properties	1,885	1,235
Government fees and levies	74,493	55,238
Outstanding consideration payable for the acquisition of a subsidiary	9,945	15,600
Other payables	<u>134,451</u>	<u>73,501</u>
	<u><u>226,892</u></u>	<u><u>151,748</u></u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2011, the Group's net profit attributable to shareholders amounted to HK\$205 million compared to a net profit of HK\$247 million over 2010. Excluding revaluation gains for the Group's investment properties net of taxes, the underlying net profit and earnings per share for 2011 amounted to HK\$120 million and 2.71 HK cents respectively.

The Board has proposed the payment of a final dividend of 1.5 HK cents per share for the year ended 31 December 2011. Together with the interim dividend of 0.9 HK cent per share, the full year dividend per share for 2011 amounts to 2.4 HK cents. The final dividend will be payable on 19 July 2012 to the shareholders whose names appear on the register of members of the Company on 10 July 2012.

### **BUSINESS REVIEW**

For the year under review, the decrease in the Group's net profit for 2011 compared to that in 2010 was mainly due to a lack of major property development project completion. The Group's earnings for 2011 were mainly generated from the sale of retail shops and carparking spaces of Pacifica Garden, the Group's 58%-owned property development project in Taipai, Macau, as well as the sale of a number of investment properties and carparking spaces in Macau, with total gains attributable to the Group of HK\$66.2 million.

#### **Property Development**

As of 31 December 2011, 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.

##### *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 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 will be commenced once 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 and we have made some amendments to accommodate certain design modifications, which need to be published in the Official Gazette of Macau before the commencement of the foundation work.

### **Property Investment**

Despite the disposal of some investment properties over the past year, gross rental income generated from the Group's investment properties rose to HK\$38.8 million for the year ended 31 December 2011, an increase of 2.7% over 2010. The increase in total rental income was mainly due to a substantial improvement in occupancy rate of the office 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 8.1% to HK\$33 million in 2011.

### **Oil**

For the year ended 31 December 2011, total revenue generated from the oil segment amounted to HK\$116 million. The segment recorded an operating loss of HK\$41 million as the loss in operation was mainly attributable to a temporary suspension of oil production in the first three months of 2011, pending approval of a gas flaring permit for the Group's South Alibek Oilfield in Kazakhstan. We were able to obtain a temporary permit in April 2011 and we are currently seeking a permanent solution to tackle the gas flaring requirements. However, while we resumed oil production in April 2011, the production levels of various wells have only gradually improved since the third quarter of 2011. The temporary disruption in production significantly affected the Group's earnings from this segment in 2011.

Nevertheless, during 2011, the Group's drilling program has produced some positive results amid bad weather conditions. Two new wells were put into production at the end of 2011 and the overall production rate has reached over 1,500 barrels per day by the end of 2011.

### **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 9.7% to HK\$23.0 million in 2011.

## FINANCIAL REVIEW

As of 31 December 2011, total book value of the Group's assets amounted to HK\$12,873 million as compared with HK\$12,664 million at end-2010. Net asset value of the Group amounted to HK\$10,435 million as of 31 December 2011, with cash and cash equivalents of HK\$289 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, increased to 20.2% at end-2011 from 19.0% at end-2010. The increase was mainly due to an increase in the amount due to our holding companies. The amount due to the immediate holding company is unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment. The ultimate holding company, Polytec Holdings International Limited, has provided a credit facility totalling HK\$1,300 million to finance the Company till March 2013 and has agreed to extend the facility if necessary. The facility is unsecured, denominated in Hong Kong dollars and bearing interest at prevailing market rates. As of 31 December 2011, only HK\$681 million of this facility was utilised. The bank borrowings of HK\$195 million are secured by the Group's interest in certain properties, denominated in Hong Kong dollars and bearing interest at prevailing market rates and has been repaid in March 2012. Such repayment is financed by an advance from the immediate holding company. The Group also has unutilised 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. The management will also negotiate with banks to obtain new facilities to enhance the Group's borrowings capacity.

As of 31 December 2011, certain assets of the Group, with total book value of approximately HK\$130 million, were pledged to secure the banking facilities to the Group.

As of 31 December 2011, the Group's capital commitments, mainly for its oil business, amounted to HK\$27 million. These capital commitments are expected to be financed by the unutilised credit facilities of the Group.

Because 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. However, this business currently represents a relatively small portion of the Group's overall business and therefore the fluctuation in the KZT will not substantially affect the Group's financial position.

## **PROSPECTS**

The Macau economy remained robust, with real gross domestic product growing 20.7% in 2011. This strong growth rate has been largely driven by its gaming industry, with total revenue from the gaming activities continuing to grow strongly at a rate of 42% to reach USD34 billion in 2011.

With completion of a number of large casino resorts and hotels over the past few years, the tourism industry in Macau has become more inviting and increasingly important to the Macau economy. Total tourist arrivals rose 12% in 2011 and total tourists from Mainland China continued to rise strongly to 16 million, an increase of 22% over 2010 and representing 58% of total visitors in 2011. The number of visitors is expected to further increase with completion of more mega casinos related projects, which are currently under construction or planning.

Furthermore, the Hong Kong-Zhuhai-Macau Bridge, which is under construction, will further enhance the transportation network, attracting more visitors to Macau. The Macau economy is indeed well supported in the foreseeable future and its strong economic fundamentals will continue to support its property market over the medium and long term.

In April 2011, the Macau government announced the imposition of the special stamp duty (SSD). As a result, overall transaction volumes in both primary and secondary residential markets have declined substantially and transaction prices have also been under downward pressures. However, there have recently been some encouraging signs of recovery in residential transaction volumes since the end of 2011 and prices have also appeared to stabilize.

The Group's two 80%-owned mega luxury residential and commercial development projects in Macau, Lote P and Lotes T + T1, are at the final stage of clearing all necessary formalities before construction starts.

For the Group's ice and cold storage business, we expect it to continue to contribute steady income to the Group.

For the Group's oil business, in 2012, we plan to drill additional new wells from April onwards. The Group's professional team in Kazakhstan will strive to explore the potential for other areas within the Group's concession block aiming to further increase oil production levels and reserves.

For the next three to four years before completion of the first phase development of the two major property projects, there will be an earnings shortfall in the property segment. Management is now actively looking into business opportunities which may provide income to the Group over the short-term.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Monday, 9 July 2012 to Tuesday, 10 July 2012 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2011. 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, 6 July 2012.

## **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 2011.

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

The Company has complied with all the code provisions of the Code on Corporate Governance Practice (the "Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2011, save for the following exception.

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.

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

Hong Kong, 29 March 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.*