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 2013

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 2013.

CONSOLIDATED INCOME STATEMENT

	Note	**2013** *HK$'000*	2012 *HK$'000*
TURNOVER	*2*	**284,301**	731,762
Cost of sales		**(57,138)**	(279,048)
Gross profit		**227,163**	452,714
Other income		**10,646**	21,405
Selling and distribution costs		**(35,466)**	(216,497)
Administrative expenses		**(60,368)**	(84,786)
Other operating expenses		**(72,258)**	(40,132)
Impairment of oil production and exploitation assets	*3*	**(296,400)**	–
(LOSS)/PROFIT FROM OPERATIONS		**(226,683)**	132,704
Share of results of joint venture		**266,884**	157,202
Finance costs		**(31,628)**	(30,453)
PROFIT BEFORE TAX	*4*	**8,573**	259,453
Income tax expenses	*5*	**24,346**	31,132
PROFIT FOR THE YEAR		**32,919**	290,585

	Note	2013 HK$'000	2012 HK$'000
ATTRIBUTABLE TO			
– Equity holders of the Company		**4,380**	287,990
– Non-controlling interests		**28,539**	2,595
		32,919	290,585
EARNINGS PER SHARE			
– basic/diluted	6	**0.10 HK cent**	6.49 HK cents
DIVIDEND PER SHARE	7	**1.40 HK cents**	2.40 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013	2012
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**32,919**	290,585
OTHER COMPREHENSIVE INCOME:		
Gain on fair value changes of interests in property development*	**415,843**	7,277
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**415,843**	7,277
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**448,762**	297,862
ATTRIBUTABLE TO		
– Equity holders of the Company	**420,223**	295,267
– Non-controlling interests	**28,539**	2,595
	448,762	297,862

* *Item that may be reclassified subsequently to profit or loss.*

CONSOLIDATED BALANCE SHEET

	Note	2013 HK$'000	2012 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	3	**1,136,716**	1,405,308
Oil exploitation assets	3	**84,322**	109,014
Interests in property development		**10,614,101**	10,198,258
Interest in joint venture		**997,002**	730,118
Deferred taxation		**82,702**	41,014
Goodwill		**16,994**	16,994
		12,931,837	12,500,706
CURRENT ASSETS			
Amount due from joint venture		**32,766**	78,358
Held for trading investments		**8,685**	9,825
Inventories		**105,506**	120,693
Trade and other receivables	8	**156,994**	61,646
Cash and cash equivalents		**209,347**	267,057
		513,298	537,579
CURRENT LIABILITIES			
Other payables		**120,546**	211,340
Bank loan		**–**	80,000
Current taxation		**52,347**	39,978
		172,893	331,318
NET CURRENT ASSETS		**340,405**	206,261
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,272,242**	12,706,967
NON-CURRENT LIABILITIES			
Amount due to immediate holding company		**–**	1,170,611
Amount due to ultimate holding company		**2,247,683**	842,884
Other payables		**41,416**	48,731
Deferred taxation		**20,085**	19,780
		2,309,184	2,082,006
NET ASSETS		**10,963,058**	10,624,961
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**10,481,662**	10,167,974
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		**10,925,559**	10,611,871
NON-CONTROLLING INTERESTS		**37,499**	13,090
TOTAL EQUITY		**10,963,058**	10,624,961

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, except for the following areas.

As a result of the adoption of HKFRS 10 "Consolidated Financial Statements", the Group has changed its accounting policy with respect to determining whether an investee should be consolidated, by focusing on whether the Group has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

As a result of the adoption of HKFRS 11 "Joint Arrangements", the Group has changed its accounting policy with respect to its interests in joint arrangements and re-evaluated its involvement in its joint arrangements. The Group divides joint arrangements into joint operations and joint ventures by determining the type of an arrangement by considering the structure, legal form, contractual terms and other facts and circumstances relevant to their rights and obligations under the arrangement. Joint arrangements which are classified as joint operations under HKFRS 11 are recognised on a line-by-line basis to the extent of the joint operator's interest in the joint operation. All other joint arrangements are classified as joint ventures under HKFRS 11 and are required to be accounted for using the equity method in the Group's consolidated financial statements. The Group has reclassified the investment from jointly controlled entity to joint venture. The investment continues to be accounted for using the equity method and therefore this reclassification does not have any material impact on the financial position and the financial result of the Group.

HKFRS 12 "Disclosure of Interests in Other Entities" brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structure entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in the financial statements.

HKFRS 13 "Fair Value Measurement" replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2. SEGMENT INFORMATION

The Group had four (2012: 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").

	Properties *HK$'000*	Oil *HK$'000*	Ice and Cold Storage *HK$'000*	Others *HK$'000*	2013 Total *HK$'000*
Turnover	**125,561**	**62,623**	**96,117**	**–**	**284,301**
Segment result	**114,880**	**(347,209)**	**20,566**	**(1,291)**	**(213,054)**
Corporate portion					**(13,629)**
Loss from operations					**(226,683)**
Share of results of joint venture	**266,884**	**–**	**–**	**–**	**266,884**
Finance costs					**(31,628)**
Profit before tax					**8,573**
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					**292,861**
					13,445,135
Capital expenditure incurred	**–**	**20,776**	**13,739**	**–**	**34,535**
Depreciation and amortisation	**–**	**24,142**	**8,317**	**–**	**32,471**
Impairment of oil production and exploitation assets	**–**	**296,400**	**–**	**–**	**296,400**
Loss arising from change in fair value of held for trading investments	**–**	**–**	**–**	**1,140**	**1,140**

During the year ended 31 December 2013, the Group had one customer in the Property segment to whom the Group's sales amounted to HK$123,370,000 which exceeds 10% of the Group's revenue.

	Properties	Oil	Ice and Cold Storage	Others	2012 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	3,090	641,255	87,417	–	731,762
Segment result	6,552	113,144	24,985	1,189	145,870
Corporate portion					(13,166)
Profit from operations					132,704
Share of results of joint venture	157,202	–	–	–	157,202
Finance costs					(30,453)
Profit before tax					259,453
Segment assets	10,309,694	1,432,869	168,699	9,825	11,921,087
Interest in and amount due from joint venture	808,476	–	–	–	808,476
Corporate assets					308,722
					13,038,285
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 had one customer in the Oil segment to whom the Group's sales amounted to HK$559,503,000 which exceeds 10% of the Group's revenue.

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets other than financial instruments and deferred assets. The geographical location of revenue is based on the location which the goods were delivered or the services were provided. The geographical location of non-current assets is based on the physical location of the assets, in case of interest in joint venture, the location of operations.

	Turnover		**Non-current assets**	
	2013	2012	**2013**	2012
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**221,678**	90,507	**1,157,751**	885,443
Kazakhstan	**62,623**	641,255	**1,077,283**	1,375,991
	284,301	731,762	**2,235,034**	2,261,434

In addition to the above non-current assets, the Group has interests in property development of HK$10,614,101,000 (2012: HK$10,198,258,000) in the People's Republic of China.

3. IMPAIRMENT OF OIL PRODUCTION AND EXPLOITATION ASSETS

The normal crude oil production of the South Alibek Oilfield of Caspi Neft TME, a wholly owned subsidiary of the Company, in Kazakhstan has been temporarily suspended since 1 January 2013, as the gas flaring permit to flare associated gas for the South Alibek Oilfield expired on 31 December 2012. Caspi Neft TME has applied to the Kazakhstan Government for the gas flaring permit in October 2012. Up to the date of approval of these financial statements, it has obtained the approvals from the Ecology Committee and the Geology Committee of the Kazakhstan Government for the gas flaring permit. Further approvals from other local authorities are now required to obtain the gas flaring permit in order to resume normal crude oil production. Caspi Neft TME has been taking all necessary steps to obtain the permit. Caspi Neft TME is also currently considering several alternatives to resolve the issue regarding the treatment and utilisation of associated gas permanently, including obtaining approvals from the relevant authorities of the Kazakhstan Government and engaging in active communication with other external parties in order to substantiate the alternatives. Based on advice received from its technical experts and external legal advisor and the alternatives under consideration, the Group considers that there is no indication that the gas flaring permit will not be renewed. Normal crude oil production will be resumed as soon as practicable upon obtaining the permit.

Due to the above issue, the normal crude oil production of the Group has been suspended for an unexpected prolonged period. The Group has reassessed the operation and the risk exposures of its oil exploration and production business as a whole and estimated that at 31 December 2013, the carrying amount of the oil production and exploitation assets exceeded their estimated recoverable amount by HK$296,400,000 (2012: Nil). Accordingly, impairment for oil production assets and oil exploitation assets amounting to HK$273,200,000 (2012: Nil) and HK$23,200,000 (2012: Nil) respectively were recognised.

4. PROFIT BEFORE TAX

Profit before tax is arrived at after charging:

	2013	2012
	HK$'000	*HK$'000*
Depreciation and amortisation	**32,471**	174,309
Interest on borrowings	**29,635**	27,686

5. INCOME TAX EXPENSES

	2013	2012
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**2,648**	3,164
– Overseas income tax	**14,399**	2,110
– Over provision for prior years	**(10)**	(12)
	17,037	5,262
Deferred tax	**(41,383)**	(36,394)
	(24,346)	(31,132)

Hong Kong Profits Tax has been provided for at the rate of 16.5% (2012: 16.5%) on the estimated assessable profits for the year. Overseas taxation has been provided for at the applicable rates ruling in the respective jurisdictions.

6. 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:

	2013	2012
	HK$'000	*HK$'000*
Earnings		
Earnings for the purposes of basic and diluted earnings per share	**4,380**	287,990
Number of shares		
Number of ordinary shares for the purpose of basic and diluted earnings per share	**4,438,967,838**	4,438,967,838

7. DIVIDENDS

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

	2013	2012
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.009 per ordinary share (2012: HK$0.009)	**39,951**	39,951
Final dividend proposed after the balance sheet date of HK$0.005 per ordinary share (2012: HK$0.015)	**22,195**	66,584
	62,146	106,535

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK$'000	*HK$'000*
Ageing analysis of trade receivables:		
Within 30 days	**124,653**	3,668
31 days to 60 days past due	**2,788**	2,808
61 days to 90 days past due	**1,748**	1,944
Over 90 days past due	**1,657**	1,169
Amounts past due	**6,193**	5,921
Trade receivables	**130,846**	9,589
Other receivables	**26,148**	52,057
	156,994	61,646

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.

MANAGEMENT DISCUSSION AND ANALYSIS

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2013, the Group's net profit attributable to shareholders amounted to HK$4.4 million compared to HK$288 million in 2012. Excluding revaluation gains for the Group's investment properties net of taxes, the underlying net loss and loss per share for 2013 amounted to HK$219 million and 4.94 HK cents respectively.

The Board has proposed the payment of a final dividend of 0.5 HK cent per share for the year ended 31 December 2013. Together with the interim dividend of 0.9 HK cent per share, the full year dividend per share for 2013 amounts to 1.4 HK cents (2012: 2.4 HK cents). The final dividend will be payable on 3 July 2014 to the shareholders whose names appear on the register of members of the Company on 23 June 2014.

BUSINESS REVIEW

For the year under review, the Group's underlying net loss was mainly due to the suspension of its oil production in Kazakhstan throughout the whole year of 2013 and an impairment provision made for the oil segment assets.

Property Development

As of 31 December 2013, 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 as 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 architectural plan was approved and the commencement of foundation work has recently been authorised.

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 architectural plan was approved and the commencement of foundation work has recently been authorised.

Property Investment

For the year under review, the Group has disposed of a number of commercial spaces at China Plaza with its share of gains amounting to HK$78 million.

For the year ended 31 December 2013, gross rental income attributable to the Group rose to HK$50.1 million, an increase of 15.5% over 2012. The increase in total rental income was mainly due to a substantial improvement in the retail portion of The Macau Square, the Group's 50%-owned investment property.

Oil

For the year ended 31 December 2013, the oil segment recorded a loss of HK$347 million, including an impairment provision of HK$296 million for the segment assets. The loss was mainly due to the temporary suspension of oil production throughout the whole year of 2013, pending the approval of a gas flaring permit for the Group's South Alibek Oilfield in Kazakhstan from the government. In view of the impact of an unexpectedly prolonged period of suspension on oil production resulted from the gas flaring issue, the Group has made an impairment provision for its oil segment assets based on a more prudent assessment of its oil business in Kazakhstan.

Ice and Cold Storage

For the year under review, total operating profit from the combined cold storage and ice manufacturing business amounted to HK$20.6 million compared to HK$24.9 million in 2012. The decrease in operating profit of the segment was mainly due to the increase in general operating expenses for the Group's expansion of its ice business.

FINANCIAL REVIEW

As of 31 December 2013, total book value of the Group's assets amounted to HK$13,445 million as compared with HK$13,038 million at end-December 2012. Net asset value of the Group amounted to HK$10,963 million as of 31 December 2013, with cash and cash equivalents of HK$209 million, denominated mainly in Hong Kong dollars.

The Group's gearing ratio expressed as a percentage of total borrowings over the equity attributable to equity holders of the Company slightly increased to 20.6% at end-December 2013 from 19.7% at end-December 2012. During the year, the ultimate holding company financed the Group to repay certain Group's indebtednesses. At end-December 2013, total borrowings only included the amount due to the ultimate holding company. The borrowings were unsecured, denominated in Hong Kong dollars, bearing interest at prevailing market rates and with no fixed terms of repayment. As of 31 December 2013, the Group has an unutilized bank facility of HK$180 million which is 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 2013, certain assets of the Group with total book value of approximately HK$120 million were pledged to secure the banking facilities to the Group.

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, due to the majority of operating expenses and capital expenditure are denominated in the KZT, while a significant portion of its revenue is denominated in USD. The Group is closely monitoring the fluctuation in the KZT and may use appropriate currency hedging to minimise the impact of the currency movement on its financial position when necessary.

PROSPECTS

The Macau economy has maintained its robust momentum throughout 2013, with gross domestic product (GDP) rising at 11.9%. The economy is expected to continue to grow at a sustainable fast pace in the coming years, supported by the existing mega infrastructure investment projects and tourism-related development projects which are still at the peak of their construction period.

Through years of efforts, all the approvals for work commencement for Lotes T+T1 and Pearl Horizon in Macau were finally obtained, with the foundation work having started in the fourth quarter of 2013 and the first quarter of 2014 respectively.

Over the past two years, the Group has achieved substantial presales of exceeding HK$10 billion each year for its property development projects in Macau. However, the presale of the two projects has been put on hold since the new laws on the property sale activities became effective in June 2013. The Group is expected to re-launch the presale after approximately two years of construction when all relevant requirements can possibly be fulfilled.

For the Group's oil business, while it has already obtained the approvals from the Ecology Committee and the Geology Committee of Kazakhstan Government for its gas flaring permit, further approvals from other local authorities are required in order to resume its oil production. As a result, the production has been suspended throughout the whole year of 2013. The Management made an impairment provision of HK$296 million for its oil assets in Kazakhstan in 2013 based on a more prudent assessment noting it had taken longer than expected to obtain the gas flaring permit and hence to resume its oil production. Consequently the provision had an adverse impact on the Group's results for 2013 as a whole. The Management has been taking all possible steps aiming to obtain the gas flaring permit for the oilfield and resume normal oil production as soon as possible. The temporary disruption in oil production will further affect the Group's earnings from this segment in 2014.

The Group is optimistic about the prospects of its core property business in Macau. However, while the construction work of two property projects have already been commenced, the Group expects that the projects can only be completed in 4-5 years' time, due to a shortage of labour in Macau and substantial time required for construction of two such sizable development projects. The Group's earnings are expected to improve substantially following completion of the two projects. In the meanwhile, the Management is actively seeking investment opportunities aiming to strengthen the Group's profitability.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 23 June 2014 to Tuesday, 24 June 2014 (both days inclusive) in order to determine entitlements of shareholders to the final dividend in respect of the year ended 31 December 2013. 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, 20 June 2014. The address of the Company's branch share registrar, Tricor Tengis Limited, will be changed to Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 31 March 2014.

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 2013.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Corporate Governance Code 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 2013, 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 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 26 June 2013 as he was overseas at the time.

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

Hong Kong, 26 March 2014

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.