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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)

2015 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- For the year ended 31 December 2015, the Group's net profit attributable to equity shareholders rose to HK\$51.7 million from HK\$43.7 million in 2014.
- Excluding revaluation gains from its investment properties net of tax, the Group's underlying net loss for 2015 amounted to HK\$122.6 million, compared to an underlying net loss of HK\$144.2 million in 2014. The net underlying loss recorded over the past two consecutive years was due to the impairment provisions made for the Group's oil assets, as a consequence of declining crude oil prices. The underlying net loss per share for 2015 was 2.76 HK cents compared to the underlying net loss per share of 3.25 HK cents in 2014.
- Full year dividend per share for 2015 amounts to 0.70 HK cent, with a final dividend per share of 0.50 HK cent.

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2015, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK\$51.7 million compared to HK\$43.7 million in 2014. The net earnings per share for 2015 amounted to 1.16 HK cents compared to 0.98 HK cent in 2014.

Excluding revaluation gains from its investment properties net of tax, the Group's underlying net loss for 2015 amounted to HK\$122.6 million compared to an underlying net loss of HK\$144.2 million for 2014. The underlying net loss per share for 2015 was 2.76 HK cents compared to the underlying net loss per share of 3.25 HK cents in 2014.

The Board of Directors has recommended the payment of a final dividend per share for 2015 of 0.50 HK cent (2014: 0.50 HK cent). Together with the interim dividend of 0.20 HK cent per share (2014: 0.20 HK cent), the full year dividend for 2015 amounted to 0.70 HK cent per share (2014: 0.70 HK cent). The final dividend will be payable on Wednesday, 20 July 2016 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 12 July 2016, subject to the approval of the shareholders at the 2016 Annual General Meeting.

BUSINESS REVIEW

The Group's underlying net loss, which excluded revaluation gains from its investment properties net of tax, amounted to HK\$122.6 million for the year ended 31 December 2015. The net loss for the year under review was due to an impairment provision of HK\$170 million made for the Group's Kazakhstan oil assets in view of the plummet in crude oil prices.

With respect to the Lote P development project (Pearl Horizon) in Macau, the piling work was completed. However, due to a significant delay in granting various requisite approvals and permits for the project over the past years, the overall construction work could not be completed before the expiry date of its land concession. Despite the application for the land concession with a reasonable compensation of time was made to relevant government departments, it was declined and therefore the construction work needed to be suspended. Polytex Corporation Limited ("PCL"), the registered owner of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has therefore applied to the Courts of Macau to claim for compensation of time. If the applications were ultimately declined, the Macau Government would have a right to resume the land without any compensation to the owner of the land. Nevertheless, based on the legal opinions received, PCL has strong legal grounds to obtain compensation of time by applying to the Courts of Macau including Tribunal Administrativo in order to continue and complete the project.

In respect of the Lotes T+T1 development project in Macau, the foundation work was completed in February 2016 and the superstructure work is now in progress.

Property Investment

For the year under review, the Group's share of gross rental income generated from its investment properties rose to HK\$68.3 million for the year ended 31 December 2015, an increase of 26% over 2014. 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 25% to HK\$63.2 million in 2015.

Oil

The oil segment recorded a loss of HK\$164 million in 2015 compared with HK\$216 million in 2014, with impairment provisions for the Kazakhstan oil assets of HK\$170 million in 2015 and HK\$212 million in 2014. Despite the favourable impact of a significant depreciation of the Tenge, the currency of Kazakhstan during the year under review, the sector still registered an operating loss of HK\$9.1 million in 2015 due to a further decline in crude oil prices.

The Group will continue to work out a solution to tackle the gas flaring issue of the oilfield in Kazakhstan before the permits expire on 31 December 2016. Various viable options are currently being evaluated.

Ice Manufacturing and Cold Storage

Ice manufacturing and cold storage segment reported a steady performance in 2015 with total operating profit of HK\$28.2 million for 2015, an increase of 5.2% over 2014.

PROSPECTS

The slowdown in economic growth in Mainland China, together with a significant decline in VIP casino customers in Macau, has adversely affected the Macau economy. Gross gaming revenue fell approximately 34% in 2015. As a result, real gross domestic product contracted approximately 20% during the year. The property market in Macau was also unfavourably impacted, with overall residential transaction volumes falling over 20% in 2015 and transacted residential prices declining over 30% from their historic highs in the second quarter of 2014.

Looking forward, the global economy will likely continue to face challenges and uncertainties and this could result in greater volatility in the financial market over the short term. The Macau economy is expected to remain weak for a considerable period of time. However, we remain optimistic about the long-term prospects of the Macau economy as the Macau Government's continuous efforts to develop Macau as a world-class leisure destination and tourism hub, together with the Hong Kong-Zhuhai-Macau Bridge which is expected to be completed shortly, will enhance the tourism industry and its economic growth.

With respect to the lawsuit relating to the Lote P development project (Peral Horizon), it is expected that a hearing date will be fixed by the Court in the near future. The construction work will be resumed immediately subject to a favourable judgement from the Court being obtained and relevant approvals being given by the Macau Government. It will endeavour to complete the project as soon as possible and deliver the flats to the waiting buyers.

In respect to the Lotes T+T1 development project, the construction work is being expedited aiming for completion and obtaining an occupation permit in mid-2017. A pre-sale programme of its residential units will be launched in due course.

The Group expects its investment property portfolio in Macau and its cold storage and ice manufacturing business in Hong Kong will continue to generate stable income in 2016.

The Group's oil business in Kazakhstan is not expected to make any contribution to its earnings in 2016 if the crude oil prices hover at the current low levels.

Last but not least, 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.

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2015 together with the comparative figures of 2014 for as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

| | <i>Note</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Turnover | 3 | 357,517 | 294,643 |
| Cost of sales | | <u>(132,757)</u> | <u>(90,719)</u> |
| Gross profit | | 224,760 | 203,924 |
| Other income | 4 | 11,747 | 23,421 |
| Selling and distribution expenses | | (111,105) | (69,859) |
| Administrative expenses | | (55,071) | (59,906) |
| Other operating expenses | | (42,632) | (59,095) |
| Impairment of oil production and exploitation assets | 5 | <u>(170,000)</u> | <u>(212,000)</u> |
| Loss from operations | | (142,301) | (173,515) |
| Finance costs | 6 | (33,902) | (31,996) |
| Share of profit of joint venture | | <u>232,758</u> | <u>235,413</u> |
| Profit before taxation | 6 | 56,555 | 29,902 |
| Income tax | 7 | <u>(3,079)</u> | <u>15,118</u> |
| Profit for the year | | <u>53,476</u> | <u>45,020</u> |
| Attributable to: | | | |
| – Equity shareholders of the Company | | 51,673 | 43,657 |
| – Non-controlling interests | | <u>1,803</u> | <u>1,363</u> |
| Profit for the year | | <u>53,476</u> | <u>45,020</u> |
| Earnings per share – basic/diluted | 8 | <u>1.16 HK cents</u> | <u>0.98 HK cent</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2015

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Profit for the year | 53,476 | 45,020 |
| Other comprehensive income for the year | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Changes in fair value of interests in property development | <u>(101,415)</u> | <u>306,822</u> |
| Other comprehensive income for the year, net of tax | <u>(101,415)</u> | <u>306,822</u> |
| Total comprehensive income for the year | <u>(47,939)</u> | <u>351,842</u> |
| Attributable to: | | |
| – Equity shareholders of the Company | (49,742) | 350,479 |
| – Non-controlling interests | <u>1,803</u> | <u>1,363</u> |
| Total comprehensive income for the year | <u>(47,939)</u> | <u>351,842</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

| | Note | 2015 HK\$'000 | 2014 HK\$'000 |
|--|------|-------------------|-------------------|
| Non-current assets | | | |
| Property, plant and equipment | 5 | 693,754 | 915,657 |
| Oil exploitation assets | 5 | 49,325 | 66,257 |
| Interests in property development | 10 | 10,819,508 | 10,920,923 |
| Interest in joint venture | | 1,396,225 | 1,217,915 |
| Deferred tax assets | | 105,727 | 104,078 |
| Goodwill | | 16,994 | 16,994 |
| | | <u>13,081,533</u> | <u>13,241,824</u> |
| Current assets | | | |
| Held for trading investments | | - | 9,405 |
| Inventories | | 80,694 | 88,471 |
| Trade and other receivables | 11 | 50,448 | 71,434 |
| Cash and bank balances | | 575,288 | 226,503 |
| | | <u>706,430</u> | <u>395,813</u> |
| Current liabilities | | | |
| Trade and other payables | 12 | 75,189 | 132,824 |
| Bank loans | | 376,600 | 13,400 |
| Current taxation | | 56,966 | 56,675 |
| | | <u>508,755</u> | <u>202,899</u> |
| Net current assets | | <u>197,675</u> | <u>192,914</u> |
| Total assets less current liabilities | | <u>13,279,208</u> | <u>13,434,738</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)**At 31 December 2015*

| | <i>Note</i> | 2015 HK\$'000 | 2014 <i>HK\$'000</i> |
|--|-------------|--------------------------------|-------------------------|
| Non-current liabilities | | | |
| Amount due to ultimate holding company | | 1,014,759 | 1,798,553 |
| Other payables | | 23,342 | 38,679 |
| Bank loans | | 1,045,000 | 321,600 |
| Deferred tax liabilities | | 18,372 | 19,159 |
| | | <u>2,101,473</u> | <u>2,177,991</u> |
| NET ASSETS | | <u>11,177,735</u> | <u>11,256,747</u> |
| CAPITAL AND RESERVES | | | |
| Share capital | | 443,897 | 443,897 |
| Reserves | | 10,720,253 | 10,801,068 |
| Total equity attributable to equity shareholders of the Company | | 11,164,150 | 11,244,965 |
| Non-controlling interests | | <u>13,585</u> | <u>11,782</u> |
| TOTAL EQUITY | | <u>11,177,735</u> | <u>11,256,747</u> |

Notes:

1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these the following developments are relevant to the Group’s financial statements:

- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

These amendments do not have an impact on the Group’s results and financial position for the current or prior periods.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

The Group manages its businesses by segments which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group’s senior management for the purposes of assessing segment performance and allocating resources between segments, the Group has identified four (2014: four) operating segments for the year which comprise 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”).

Segment turnover, expenses, results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment, but exclude exceptional items.

Reportable segment result represents result before taxation by excluding share of profit of joint venture, finance costs and head office and corporate expenses.

3. SEGMENT REPORTING (continued)

Segment assets include all tangible, intangible assets and current assets with exception of interest in joint venture, deferred tax assets and other corporate assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one year. Corporate income/expenses and assets mainly comprise exceptional items, corporate administrative and financing expenses and corporate financial assets respectively.

Information regarding the Group's reportable segments as provided to the Group's senior management for the purpose of resource allocation and assessment of segment performance for the year is set out below.

| | Properties <i>HK\$'000</i> | Oil <i>HK\$'000</i> | Ice and cold storage <i>HK\$'000</i> | Others <i>HK\$'000</i> | 2015 Total <i>HK\$'000</i> |
|--|-------------------------------|------------------------|--|---------------------------|----------------------------------|
| Turnover | <u>2,000</u> | <u>214,724</u> | <u>129,931</u> | <u>10,862</u> | <u>357,517</u> |
| Reportable segment result | 4,173 | (164,364) | 28,189 | 1,415 | (130,587) |
| Head office and corporate expenses | | | | | <u>(11,714)</u> |
| Loss from operations | | | | | (142,301) |
| Finance costs | | | | | (33,902) |
| Share of profit of joint venture | 232,758 | – | – | – | <u>232,758</u> |
| Profit before taxation | | | | | <u>56,555</u> |
| Reportable segment assets | 10,905,538 | 636,411 | 167,676 | – | 11,709,625 |
| Interest in joint venture | 1,396,225 | – | – | – | 1,396,225 |
| Head office and corporate assets | | | | | <u>682,113</u> |
| | | | | | <u>13,787,963</u> |
| Capital expenditure incurred | – | 2,957 | 3,187 | 84 | 6,228 |
| Depreciation and amortisation | – | 63,571 | 9,198 | 98 | 72,867 |
| Impairment of oil production and exploitation assets | <u>–</u> | <u>170,000</u> | <u>–</u> | <u>–</u> | <u>170,000</u> |

During the year ended 31 December 2015, the Group had one customer in the oil segment with sales amounting to HK\$189,094,000, which exceeded 10% of the Group's turnover.

3. SEGMENT REPORTING (continued)

| | Properties <i>HK\$'000</i> | Oil <i>HK\$'000</i> | Ice and cold storage <i>HK\$'000</i> | Others <i>HK\$'000</i> | 2014 Total <i>HK\$'000</i> |
|--|-------------------------------|------------------------|--|---------------------------|----------------------------------|
| Turnover | <u>16,000</u> | <u>157,725</u> | <u>120,918</u> | <u>–</u> | <u>294,643</u> |
| Reportable segment result | 28,601 | (215,634) | 26,804 | 772 | (159,457) |
| Head office and corporate expenses | | | | | <u>(14,058)</u> |
| Loss from operations | | | | | (173,515) |
| Finance costs | | | | | (31,996) |
| Share of profit of joint venture | 235,413 | – | – | – | <u>235,413</u> |
| Profit before taxation | | | | | <u>29,902</u> |
| Reportable segment assets | 10,998,038 | 910,064 | 170,538 | 9,405 | 12,088,045 |
| Interest in joint venture | 1,217,915 | – | – | – | 1,217,915 |
| Head office and corporate assets | | | | | <u>331,677</u> |
| | | | | | <u>13,637,637</u> |
| Capital expenditure incurred | – | 21,410 | 2,926 | 423 | 24,759 |
| Depreciation and amortisation | – | 42,679 | 9,412 | 76 | 52,167 |
| Impairment of oil production and exploitation assets | – | 212,000 | – | – | 212,000 |
| Gain arising from change in fair value of held for trading investments | <u>–</u> | <u>–</u> | <u>–</u> | <u>720</u> | <u>720</u> |

During the year ended 31 December 2014, the Group had two customers in the oil segment with sales amounting to HK\$58,662,000 and HK\$53,127,000 respectively, which exceeded 10% of the Group's turnover.

3. SEGMENT REPORTING (continued)

The following table sets out information about the geographical location of (i) the Group's turnover from external customers and (ii) the Group's non-current assets other than financial instruments and deferred tax assets. The geographical location of turnover 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 | |
|--------------------------------|-----------------|-----------------|--------------------|-----------------|
| | 2015 | 2014 | 2015 | 2014 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| The People's Republic of China | 142,793 | 136,918 | 1,542,556 | 1,372,450 |
| Kazakhstan | 214,724 | 157,725 | 613,742 | 844,373 |
| | 357,517 | 294,643 | 2,156,298 | 2,216,823 |

In addition to the above non-current assets, the Group has interests in property development of HK\$10,819,508,000 (2014: HK\$10,920,923,000) in the People's Republic of China.

4. OTHER INCOME

An analysis of the Group's other income is as follows:

| | 2015 | 2014 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Rental income from properties held for sale | 7,141 | 5,132 |
| Dividend income from listed securities | – | 85 |
| Bank and other interest income | 2,967 | 1,426 |
| Gain arising from change in fair value of held for trading investments | – | 720 |
| Gain on disposal of properties under development for sale | – | 13,786 |
| Others | 1,639 | 2,272 |
| | 11,747 | 23,421 |

5. OIL PRODUCTION AND EXPLOITATION ASSETS

During the year, a gas flaring permit for the South Alibek Oilfield was obtained by Caspi Neft TME, a wholly-owned subsidiary of the Company, in Kazakhstan, with validity for a one-year period till the end of December 2016 such that normal crude oil production could be conducted until then.

Caspi Neft TME has been taking all necessary steps to obtain a gas flaring permit valid for a longer period so as to enable it to continue to conduct normal crude oil production after 31 December 2016 and 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 other 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 gas flaring permits will not be renewed in the future.

In view of the significant drop in crude oil prices in 2015, the Group has reassessed the operation and the risk exposures of its oil exploration and production business as a whole and estimated that the carrying amounts of the oil production and exploitation assets as at 31 December 2015 exceeded their estimated recoverable amounts by HK\$170,000,000 (2014: HK\$212,000,000). Accordingly, impairment for oil production assets and oil exploitation assets amounting to HK\$156,400,000 (2014: HK\$195,400,000) and HK\$13,600,000 (2014: HK\$16,600,000) respectively, was recognised as a separate line item in the Group's consolidated income statement. The recoverable amount of oil production and exploitation assets, amounting to HK\$564,417,000 (2014: HK\$778,116,000) and HK\$49,325,000 (2014: HK\$66,257,000) respectively, was determined based on the value in use calculations applying a discount rate of 12.5% (2014: 12.5%).

6. PROFIT BEFORE TAXATION

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

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| (a) Finance costs | | |
| Interest expense on | | |
| – Bank borrowings wholly repayable within five years | 7,914 | 819 |
| – Amount due to ultimate holding company repayable after more than one year | 24,598 | 31,041 |
| | <u>32,512</u> | <u>31,860</u> |
| Other finance costs | 1,390 | 136 |
| | <u>33,902</u> | <u>31,996</u> |
| (b) Staff costs | | |
| Staff costs (excluding directors' remuneration) [#] : | | |
| Wages and salaries | 62,393 | 63,047 |
| Contributions to retirement benefit scheme | 1,678 | 1,546 |
| | <u>64,071</u> | <u>64,593</u> |
| (c) Other items | | |
| Depreciation of property, plant and equipment [#] | 69,535 | 50,280 |
| Amortisation of oil exploitation assets [#] | 3,332 | 1,887 |
| Minimum lease payments under operating leases in respect of land and buildings | 1,561 | 1,377 |
| Auditors' remuneration | 1,858 | 1,887 |
| Exchange gain | (216) | (3,323) |
| Net realised gain on disposal of held for trading investments | (1,457) | – |
| Gain arising from change in fair value of held for trading investments | – | (720) |
| Loss on disposal of property, plant and equipment | 2,190 | 27 |
| Share of taxation of joint venture (included in share of profit of joint venture) | 29,557 | 30,379 |

[#] Cost of sales includes HK\$73,267,000 (2014: HK\$43,135,000) relating to staff costs and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX

Taxation in the consolidated income statement represents:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Current tax | | |
| – Hong Kong Profits Tax | 3,453 | 3,724 |
| – Overseas income tax | 2,052 | 3,429 |
| – Under provision in respect of prior years | 10 | 31 |
| | <hr/> | <hr/> |
| | 5,515 | 7,184 |
| Deferred tax | (2,436) | (22,302) |
| | <hr/> | <hr/> |
| | 3,079 | (15,118) |
| | <hr/> | <hr/> |

The provision for Hong Kong Profits Tax for 2015 is calculated at 16.5% (2014: 16.5%) of the estimated assessable profits for the year. Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary shareholders of the Company of HK\$51,673,000 (2014: HK\$43,657,000) and 4,438,967,838 ordinary shares (2014: 4,438,967,838 ordinary shares) in issue during the year.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the years ended 31 December 2015 and 2014.

9. DIVIDENDS

Dividends attributable to the year:

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---|--------------------------------|-------------------------|
| Interim dividend declared and paid of HK\$0.002 (2014: HK\$0.002) per share | 8,878 | 8,878 |
| Final dividend proposed after the end of the reporting period of HK\$0.005 (2014: HK\$0.005) per share | 22,195 | 22,195 |
| | <hr/> | <hr/> |
| | 31,073 | 31,073 |
| | <hr/> | <hr/> |

The final dividend declared after the year end has not been recognised as a liability at 31 December.

10. INTERESTS IN PROPERTY DEVELOPMENT

Interests in property development represent the Group's interests in the development of two properties located at Lote P and Lotes T+T1 of Novos Aterros da Areia Preta, in Macau under two co-investment agreements with two wholly-owned subsidiaries of the ultimate holding company. Pursuant to the terms of the co-investment agreements, the Group will provide funding to cover any shortfall in the funding of the development projects which is subject to an aggregate maximum amount. In return, the two wholly-owned subsidiaries of the ultimate holding company will pay to the Group cash flows from the development projects according to the formulae set out in the co-investment agreements. Details of the funding arrangement and other key terms of the co-investment agreements are disclosed in the Company's Circular dated 23 May 2006. Interests in property development are stated at their fair value measured using a discounted cash flow model.

In respect of the development project at Lote P, its land concession was made in December 1990 which use was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ending on 25 December 2015 (the "Expiry Date"). It is renewable every 10 years until 2049 if the project can be completed on or before the Expiry Date and become a definite land concession. However, in September 2013, the Macau Special Administrative Region Government (the "Macau SAR Government") promulgated the Macau new Land Law (the "MNLL") which came into effect in March 2014. The MNLL provides that the Macau SAR Government will have the right to resume the land of any property development that is not completed and/or where the conditions as stated in the land concession for which have not been fulfilled by the stipulated expiry date without any compensation to the property owner. Owing to the delays caused by the Macau SAR Government in granting the requisite approvals and permits for the development of the project, the project could not commence until August 2014. As a result, the construction work could not be completed by the Expiry Date and all construction work is currently suspended. An application had been made to the Macau SAR Government for an extension of the Expiry Date but was declined by the relevant department of the Macau SAR Government.

Based on a legal opinion received by the Group, Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has sufficient grounds to apply to the Courts of the Macau SAR including the Tribunal Admistrativo for remedies in all aspects to continue and complete the project. A few legal actions have been initiated by the legal representatives of PCL and are now in progress. Based on the opinion of the legal expert, the Courts will consider and judge on the essential points regarding the delays caused by the Macau SAR Government and the right of PCL to claim for compensation of time in order to allow the completion of the construction work of the Lote P development project and deliver the properties to the respective purchasers.

As the outcome of these court proceedings is still uncertain, management of the Company have taken into account all available evidence, including the opinion of legal experts, in preparing the discounted cash flow model in order to assess the fair value of the project. Management of the Company believe that PCL has strong legal grounds to obtain a favourable judgment so that the Lote P development project could be re-activated and completed. The construction work will be resumed as soon as practicable subject to a favourable judgment being obtained and relevant approvals being given by the Macau SAR Government. No impairment for the interests in property development was considered necessary at 31 December 2015.

In respect of the development project at Lotes T+T1, the expiry date of the land concession is 5 July 2017. Based on the current status of the development, management of the Company consider that the Lotes T+T1 project will be completed before the expiry date.

11. TRADE AND OTHER RECEIVABLES

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|---------------------------------------|-------------------------|-------------------------|
| Ageing analysis of trade receivables: | | |
| Within 30 days | <u>14,669</u> | <u>45,171</u> |
| 31 days to 60 days past due | 4,644 | 4,337 |
| 61 days to 90 days past due | 4,038 | 700 |
| Over 90 days past due | <u>1,471</u> | <u>229</u> |
| Amounts past due | <u>10,153</u> | <u>5,266</u> |
| Trade receivables | 24,822 | 50,437 |
| Other receivables | <u>25,626</u> | <u>20,997</u> |
| | <u>50,448</u> | <u>71,434</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.

12. TRADE AND OTHER PAYABLES

| | 2015 <i>HK\$'000</i> | 2014 <i>HK\$'000</i> |
|------------------------------------|-------------------------|-------------------------|
| Ageing analysis of trade payables: | | |
| Within 30 days | <u>643</u> | <u>560</u> |
| 31 days to 60 days past due | 143 | 72 |
| Over 90 days past due | <u>3</u> | <u>3</u> |
| Amounts past due | <u>146</u> | <u>75</u> |
| Trade payables | <u>789</u> | <u>635</u> |
| Other payables | | |
| – Government fees and levies | 11,294 | 41,710 |
| – Others | <u>63,106</u> | <u>90,479</u> |
| | <u>74,400</u> | <u>132,189</u> |
| | <u>75,189</u> | <u>132,824</u> |

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a sound financial liquidity position during the year. As at 31 December 2015, the Group maintained a balance of cash and bank of HK\$575.3 million (2014: HK\$226.5 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.39 times (2014: 1.95 times).

As at 31 December 2015, the Group had bank borrowings of HK\$1,421.6 million (2014: HK\$335 million), with HK\$376.6 million being repayable within one year, HK\$55 million being repayable between one year and two years, and HK\$990 million being repayable between two years and five years. The amount due to ultimate holding company was HK\$1,014.8 million (2014: HK\$1,798.6 million), which was unsecured, denominated in Hong Kong dollars, interest bearing at prevailing market rates and repayable after more than one year.

The Group had banking facilities of HK\$1,421.6 million (2014: HK\$ 335 million), which were fully utilised as at 31 December 2015 (2014: fully utilised). The banking facilities were secured by the Group's leasehold land and buildings and the joint venture's investment properties, denominated in Hong Kong dollars and interest bearing at prevailing market rates, which are subject to review from time to time.

As at 31 December 2015, total equity attributable to equity shareholders of the Company amounted to HK\$11,164.2 million (2014: HK\$11,245.0 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to ultimate holding company) over the equity attributable to equity shareholders of the Company, increased to 21.8% from 19.0% as at 31 December 2014.

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 Macau Pataca is pegged to the Hong Kong dollar, the Group's exposure to this foreign exchange risk is relatively low. In respect of the Group's oil business in Kazakhstan, the Group is exposed to the exchange fluctuations in the 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 31 December 2015, 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 31 December 2015, the Group had no capital commitments (2014: HK\$2 million) contracted but not provided for.

CHARGES ON ASSETS

As at 31 December 2015, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK\$113.5 million (2014: HK\$116.7 million) and HK\$3,135 million (2014: Nil) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any significant contingent liabilities (2014: Nil).

OTHER INFORMATION

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company has reviewed and discussed with the Group's independent auditor, KPMG, the consolidated financial statements of the Group for the year ended 31 December 2015 including critical accounting policies and practices adopted by the Group.

SCOPE OF WORK OF KPMG

The financial figures in this announcement have been agreed by the Group's independent auditor, KPMG, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2015. The work performed by KPMG in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Public Accountants, and consequently no assurance has been expressed by KPMG on this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code (the "CG 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 year ended 31 December 2015, save for the following exceptions.

Code Provision A.4.1 of the CG 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 are 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 CG Code.

Code Provision A.6.7 of the CG 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 27 May 2015 since he was overseas at that time.

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 year ended 31 December 2015.

2016 ANNUAL GENERAL MEETING

The 2016 Annual General Meeting of the Company will be held on Tuesday, 28 June 2016 and the Notice of 2016 Annual General Meeting will be published and dispatched to the shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who entitle to attend and vote at the 2016 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 24 June 2016 to Tuesday, 28 June 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2016 Annual General Meeting, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch 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 Thursday, 23 June 2016.

For the purpose of determining members who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Monday, 11 July 2016 to Tuesday, 12 July 2016, both dates inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final dividend, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch 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, 8 July 2016.

PUBLICATION OF ANNUAL REPORT

The 2015 Annual Report containing all the information as required by the Listing Rules will be published on the Company's website at www.polytecasset.com 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, 23 March 2016

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*