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)

2017 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- For the year ended 31 December 2017, the Group's net profit attributable to equity shareholders rose considerably to HK$270 million from HK$59 million in 2016.

- Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK$233 million in 2017 compared to HK$22 million in 2016. The underlying net profit per share for 2017 was 5.26 HK cents compared to 0.49 HK cent in 2016.

- Full year dividend per share for 2017 amounts to 2.20 HK cents (2016: 0.70 HK cent), with a final dividend per share of 2.00 HK cents (2016: 0.50 HK cent).

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2017, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") amounted to HK$270 million compared to HK$59 million in 2016. The basic earnings per share for 2017 amounted to 6.07 HK cents compared to 1.33 HK cents in 2016.

Excluding revaluation gains from its investment properties net of tax, the underlying net profit amounted to HK$233 million in 2017 compared to HK$22 million in 2016. The underlying net profit per share for 2017 was 5.26 HK cents compared to 0.49 HK cent in 2016.

The Board of Directors has recommended the payment of a final dividend per share for 2017 of 2.00 HK cents (2016: 0.50 HK cent). Together with the interim dividend of 0.20 HK cent per share (2016: 0.20 HK cent), the full year dividend for 2017 amounted to 2.20 HK cents per share (2016: 0.70 HK cent). The final dividend will be payable on Wednesday, 25 July 2018 to the shareholders whose names appear on the Register of Members of the Company on Tuesday, 10 July 2018, subject to the approval of the shareholders at the 2018 Annual General Meeting.

BUSINESS REVIEW

For the year ended 31 December 2017, excluding revaluation gains from its investment properties net of tax, the Group's underlying net profit rose considerably to HK$233 million compared to HK$22 million in 2016. The significant increase in the underlying net profit was mainly due to the first batch of income received from the Group's interests in the La Marina development project in Macau of HK$500 million. The income from La Marina was partially offset by an impairment provision for the Group's oil production and exploitation assets in Kazakhstan, together with the change in its related tax, amounting to HK$290 million in 2017.

Property Development

In respect of the La Marina development project in Macau, construction works were completed and the occupation permit was obtained in July 2017. The pre-sold units have been gradually delivered to the buyers since late December of 2017. The first batch of net income received from its interests in this property development project amounted to HK$500 million, which was recognised in the financial statements of 2017.

With respect to the Pearl Horizon development project in Macau, as stated in the Company's annual reports, interim reports as well as various announcements during 2015 to 2017, Polytex Corporation Limited ("PCL"), the registered owner of the project and a wholly-owned subsidiary of the ultimate holding company of the Company, has applied to the Courts of Macau, including Court of Final Appeal of Macau, to claim for compensation of time in order to complete the development project. The Group is currently awaiting the decisions from the Courts of Macau. However, based on the opinion provided by our legal adviser in Macau, it was the Macau government who had delayed granting various requisite approvals and permits for the development project over the past years providing PCL with no sufficient time for the development to be completed before the expiry date of the land concession. Therefore, based on the above grounds, PCL would have a right to pursue a claim for compensation of time or damages from the Macau government. In addition to the legal route being taken, other possible approaches have also been actively explored, with a view to best protecting the Group's as well as the buyers' interests.

Property Investment

The Group's share of gross rental income generated from its investment properties rose to HK$87 million, representing an increase of 9.7% over 2016. 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 to HK$81 million in 2017 from HK$73 million in 2016.

Oil

The oil segment recorded a loss after tax of HK$312 million in 2017 compared to HK$33 million in 2016. The considerable loss for the year under review was mainly due to an impairment provision for the Group's oil production and exploitation assets in Kazakhstan, amounting to a total of HK$290 million with the change in its related tax being included. Management considers the above provisions are well justified and based on its prudent approach. The net book value of the oil assets in Kazakhstan, together with its related deferred tax asset, was approximately HK$380 million as of 31 December 2017 following such impairment provisions, representing only 3.1% of the Group's total net asset value.

Ice Manufacturing and Cold Storage

Total operating profit for the combined ice manufacturing and cold storage segment amounted to HK$29 million in 2017, a decrease of 15% over 2016. While segment revenue remained stable for the year under review, the decrease in operating profit was attributable to the increase in non-recurring expenses relating to replacement and maintenance of machinery.

PROSPECTS

The recovery of the Macau economy appeared to be robust and sustainable, with its real gross domestic product (GDP) rising 9.1% year-on-year in 2017 following a contraction of 2.1% in 2016. This was mainly supported by its gaming industry, with gaming revenues recording a strong growth rate of 19% in 2017 compared to a decline of 3% in 2016.

Overall sentiment in the residential property market in Macau appeared to be favourable in 2017. Despite the Monetary Authority of Macau tightening mortgage lending in May 2017, the residential property prices showed no sign of slowdown, with the average price of residential units reaching record highs in the fourth quarter in 2017, up 16.8% year-on-year for the full year of 2017. As a result, the Macau government imposed additional property measures to further cool the residential property market in February 2018, with new measures likely suppressing the buyers' appetite and hence reducing overall property transaction volumes in the short term. However, in the meantime, the incentives provided by the Monetary Authority of Macau for the first time home buyers between the age of 21 and 44 would likely encourage more home ownership of those young residents, partially offsetting adverse impacts from the measures. On the whole, the Group is cautiously optimistic about the prospects of the property market in Macau over the medium- and long-term when the uncertainty and undesirable impacts of these measures imposed on the housing market gradually fade out and transaction volumes would gradually improve.

In respect of the La Marina development project, which is located in a prime area adjacent to the Hong Kong-Zhuhai-Macau Bridge with a saleable gross floor area exceeding 174,000 sq. m. for the residential portion, approximately one thirds of residential units were sold as at end-December 2017, with total sales proceeds exceeding HK$5 billion. The remaining residential units will be put on the market for sale by phases. Income to be received from La Marina is still expected to be an important contribution to the Group's earnings in 2018.

With respect to the Pearl Horizon development project, in addition to taking the legal route to best protect the Group's as well as the buyers' interests, it also has been actively exploring all other possible approaches, aiming to resolve this standoff as expeditiously as possible.

In regards to its oil segment, the Group will continue to assess the sustainability of the recovery in oil prices, with further provisions for asset impairment to be made in 2018 if necessary.

Both of the Group's investment property portfolio in Macau and ice manufacturing and cold storage business in Hong Kong are expected to continue to generate stable income in 2018.

Looking ahead 2018 and beyond, the Group is actively exploring the property development and investment opportunities elsewhere in other regions, including the Pearl River Delta region, aiming to increase its capacity and build a solid foundation for sustainable growth for the Group.

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

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2017 together with the comparative figures of 2016 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Revenue	*3*	**693,884**	211,293
Cost of sales		**(60,514)**	(79,300)
Gross profit		**633,370**	131,993
Other income	*4*	**10,188**	15,072
Selling and distribution expenses		**(45,272)**	(47,735)
Administrative expenses		**(49,761)**	(49,440)
Other operating expenses		**(53,214)**	(54,637)
Impairment of oil production and exploitation assets	*5*	**(226,500)**	-
Profit/(loss) from operations		**268,811**	(4,747)
Finance costs	*6*	**(36,307)**	(32,838)
Share of profit of joint venture		**106,162**	103,414
Profit before taxation	*6*	**338,666**	65,829
Income tax	*7*	**(67,118)**	(4,257)
Profit for the year		**271,548**	61,572
Attributable to:			
– Equity shareholders of the Company		**269,521**	59,201
– Non-controlling interests		**2,027**	2,371
Profit for the year		**271,548**	61,572
Earnings per share – basic/diluted	*8*	**6.07 HK cents**	1.33 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
Profit for the year	**271,548**	61,572
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Changes in fair value of interests in property development	**90,147**	1,241,332
Transfer to income statement upon recognition of distribution from interests in property development	**(500,000)**	-
Other comprehensive income for the year, net of tax	**(409,853)**	1,241,332
Total comprehensive income for the year	**(138,305)**	1,302,904
Attributable to:		
– Equity shareholders of the Company	**(140,332)**	1,300,533
– Non-controlling interests	**2,027**	2,371
Total comprehensive income for the year	**(138,305)**	1,302,904

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	Note	**2017** **HK$'000**	2016 HK$'000
Non-current assets			
Property, plant and equipment	*5*	**425,456**	657,173
Oil exploitation assets	*5*	**28,175**	48,156
Interests in property development	*10*	**10,586,970**	12,060,840
Interest in joint venture		**1,473,345**	1,433,396
Deferred tax assets		**42,227**	105,727
Goodwill		**16,994**	16,994
		12,573,167	14,322,286
Current assets			
Interests in property development	*10*	**1,264,017**	-
Amount due from a fellow subsidiary		**500,000**	-
Inventories		**86,024**	86,905
Trade and other receivables	*11*	**43,377**	39,549
Cash and bank balances		**271,109**	170,261
		2,164,527	296,715
Current liabilities			
Trade and other payables	*12*	**71,159**	77,666
Bank loans		**1,354,800**	70,200
Current taxation		**57,752**	58,168
		1,483,711	206,034
Net current assets		**680,816**	90,681
Total assets less current liabilities		**13,253,983**	14,412,967

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2017

	Note	**2017** **HK$'000**	2016 *HK$'000*
Non-current liabilities			
Amount due to ultimate holding company		**–**	572,507
Amount due to immediate holding company		**943,666**	–
Other payables		**18,615**	21,409
Bank loans		**–**	1,354,800
Deferred tax liabilities		**16,824**	17,635
		979,105	1,966,351
NET ASSETS		**12,274,878**	12,446,616
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**11,818,308**	11,989,713
Total equity attributable to equity shareholders of the Company		**12,262,205**	12,433,610
Non-controlling interests		**12,673**	13,006
TOTAL EQUITY		**12,274,878**	12,446,616

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 disclosure 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 the financial statements.

2. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

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 (2016: four) operating segments for the year which comprise property 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 revenue, 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	Oil	Ice and cold storage	Others	2017 Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**500,000**	**61,930**	**131,954**	–	**693,884**
Reportable segment result	**505,163**	**(246,321)**	**29,396**	**–**	**288,238**
Head office and corporate expenses					**(19,427)**
Profit from operations					**268,811**
Finance costs					**(36,307)**
Share of profit of joint venture	**106,162**	**–**	**–**	**–**	**106,162**
Profit before taxation					**338,666**
Reportable segment assets	**12,431,196**	**366,591**	**152,196**	**–**	**12,949,983**
Interest in joint venture	**1,473,345**	**–**	**–**	**–**	**1,473,345**
Deferred tax assets					**42,227**
Head office and corporate assets					**272,139**
					14,737,694
Capital expenditure incurred	**–**	**281**	**867**	**7**	**1,155**
Depreciation and amortisation	–	**17,933**	**8,219**	**106**	**26,258**
Impairment of oil production and exploitation assets	–	**226,500**	–	–	**226,500**

During the year ended 31 December 2017, the Group had recognised a distribution from interests in property development of HK$500,000,000 under the "Properties" segment, which exceeded 10% of the Group's revenue.

3. SEGMENT REPORTING *(continued)*

	Properties *HK$'000*	Oil *HK$'000*	Ice and cold storage *HK$'000*	Others *HK$'000*	2016 Total *HK$'000*
Revenue	–	77,377	133,916	–	211,293
Reportable segment result	5,586	(30,238)	34,248	(10)	9,586
Head office and corporate expenses					(14,333)
Loss from operations					(4,747)
Finance costs					(32,838)
Share of profit of joint venture	103,414	–	–	–	103,414
Profit before taxation					65,829
Reportable segment assets	12,144,003	605,925	158,337	–	12,908,265
Interest in joint venture	1,433,396	–	–	–	1,433,396
Deferred tax assets					105,727
Head office and corporate assets					171,613
					14,619,001
Capital expenditure incurred	–	1,461	2,560	3	4,024
Depreciation and amortisation	–	33,333	8,089	106	41,528

During the year ended 31 December 2016, the Group had one customer in the oil segment with sales amounting to HK$68,898,000, which exceeded 10% of the Group's revenue.

3. SEGMENT REPORTING *(continued)*

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 tax 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 and, in the case of interest in joint venture, the location of operations.

	Revenue		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**631,954**	133,916	**1,606,393**	1,573,911
Kazakhstan	**61,930**	77,377	**337,577**	581,808
	693,884	211,293	**1,943,970**	2,155,719

In addition to the above non-current assets, the Group has interests in property development of HK$10,586,970,000 (2016: HK$12,060,840,000) in the People's Republic of China.

4. OTHER INCOME

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

	2017	2016
	HK$'000	*HK$'000*
Rental income from properties held for sale	**8,406**	8,197
Bank and other interest income	**430**	5,144
Others	**1,352**	1,731
	10,188	15,072

5. OIL PRODUCTION AND EXPLOITATION ASSETS

As at 31 December 2017, the Group had oil production assets of HK$309,402,000 (2016: HK$533,652,000) (included in property, plant and equipment) and oil exploitation assets of HK$28,175,000 (2016: HK$48,156,000). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

The gas flaring permit to flare associated gas for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly-owned subsidiary of the Company, in Kazakhstan will expire on 31 December 2018. 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 2018 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 the above, the Group considers that there is no indication that gas flaring permits will not be renewed in the future.

The Group engaged an independent appraisal company to conduct an oil reserve assessment of the Group's Oilfield in Kazakhstan as at 31 December 2017. According to the latest oil reserve assessment report, it was shown that the 2P oil reserves of the Oilfield dropped by approximately 42% which was mainly due to the significant decline in crude oil prices in recent years and the corresponding adjustment in the operating strategy adopted by the Group to reduce the capital expenditure. Therefore, as at 31 December 2017, management reassessed the operation and the risk exposures of the Group’s oil exploration and production business as a whole and estimated that the carrying values of the oil production and exploitation assets exceeded their estimated recoverable amounts by HK$226,500,000. Accordingly, impairment for oil production assets and oil exploitation assets amounting to HK$207,474,000 and HK$19,026,000 respectively, was recognised as a separate line item in the Group’s consolidated income statement. In 2016, the estimated recoverable amounts of oil production and exploitation assets exceeded their carrying values, therefore, no further impairment was considered necessary for the year ended 31 December 2016. The recoverable amounts of oil production and exploitation assets, amounting to HK$309,402,000 and HK$28,175,000 respectively, were determined based on value in use calculations applying a discount rate of 12.5% (2016: 12.5%)

6. PROFIT BEFORE TAXATION

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

	2017	2016
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on		
– Bank borrowings wholly repayable within five years	**25,473**	21,705
– Amount due to ultimate holding company repayable after more than one year	**3,441**	9,998
– Amount due to immediate holding company repayable after more than one year	**6,374**	–
	35,288	31,703
Other finance costs	**1,019**	1,135
	36,307	32,838
(b) Staff costs		
Staff costs (excluding directors' remuneration)#:		
Wages and salaries	**56,443**	57,712
Contributions to retirement benefit scheme	**1,729**	1,716
	58,172	59,428
(c) Other items		
Depreciation of property, plant and equipment#	**25,303**	40,359
Amortisation of oil exploitation assets#	**955**	1,169
Minimum lease payments under operating leases in respect of land and buildings	**1,910**	1,604
Auditors' remuneration	**2,196**	2,132
Exchange loss	**6,319**	10,134
Loss/(gain) on disposal of property, plant and equipment	**58**	(490)
Share of taxation of joint venture (included in share of profit of joint venture)	**13,036**	11,910

Cost of sales includes HK$22,410,000 (2016: HK$39,220,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**2,294**	3,751
– Overseas income tax	**2,092**	1,954
– Under/(over) provision in respect of prior years	**43**	(711)
	4,429	4,994
Deferred tax	**62,689**	(737)
	67,118	4,257

The provision for Hong Kong profits tax for 2017 is calculated at 16.5% (2016: 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 equity shareholders of the Company of HK$269,521,000 (2016: HK$59,201,000) and 4,438,967,838 ordinary shares (2016: 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 2017 and 2016.

9. DIVIDENDS

Dividends attributable to the year:

	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.002 (2016: HK$0.002) per share	**8,878**	8,878
Final dividend proposed after the end of the reporting period of HK$0.02 (2016: HK$0.005) per share	**88,779**	22,195
	97,657	31,073

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

10. INTERESTS IN PROPERTY DEVELOPMENT

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**12,060,840**	10,819,508
Distribution	**(500,000)**	-
Additional funding	**200,000**	-
Change in fair value recognised in other comprehensive income	**90,147**	1,241,332
At 31 December	**11,850,987**	12,060,840
Representing:		
Non-current	**10,586,970**	12,060,840
Current	**1,264,017**	-
	11,850,987	12,060,840

Interests in property development represent the Group's interests in the development of various 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 property 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 property 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 were disclosed in the Company's Circular dated 23 May 2006. Interests in property development are stated at fair value at the end of the reporting period.

During the year, pursuant to one of the co-investment agreements, distribution of HK$500,000,000 (2016: Nil) was made by one of the wholly-owned subsidiaries of the ultimate holding company to the Company, in relation to the development project at Lotes T+T1. Income from interests in property development recognised in income statement from the distribution during the year amounted to HK$500,000,000 (2016: Nil), which was subsequently settled after the year end.

As at 31 December 2017, out of the interests in property development, an amount of HK$1,264,017,000 was expected to be recoverable within one year and was classified as current assets.

10. INTERESTS IN PROPERTY DEVELOPMENT *(continued)*

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the land 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"). If the project had been completed on or before the Expiry Date, it would have become a definite land concession which would be renewable every 10 years until 2049. 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 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.

On 19 October 2017, the Tribunal de Segunda Instancia (中級法院) of the Macau SAR rejected the application by PCL for invalidating the decision made by the Chief Executive of the Macau SAR to terminate the land concession of the project. According to the legal opinion obtained by the Company, PCL has sufficient grounds to further appeal (the "Final Appeal") to the Tribunal de Ultima Instancia (終審法院) of the Macau SAR, and the Court of the Macau SAR should consider and assess the essential points regarding the delay caused by the Macau SAR Government and the right of PCL to claim for an extension of time to complete the construction work of the project and deliver the properties to the respective purchasers. An application for the Final Appeal has been made by PCL pending the decision made by the Tribunal de Ultima Instancia.

With respect to the principal application by PCL to the Tribunal Administrativo (行政法院) requesting compensation of time (by way of extension of the land concession) for the project, it is being suspended pending the decision of the Final Appeal.

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 and the terms as stated in the co-investment agreement, 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 judgement so that the Lote P development project will be re-activated and completed. The construction work will be resumed as soon as practicable subject to a favourable judgement 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 2017.

In respect of the development project at Lotes T+T1, the occupation permit had been obtained on 3 July 2017 which was before the expiry date of its land concession on 5 July 2017. The pre-sold residential units have been gradually delivered to the purchasers since late December of 2017, and the unsold residential units will be put on the market for sale in phases.

11. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Ageing analysis (based on the due date) of trade receivables:		
Current	**17,048**	10,287
Within 3 months	**7,316**	6,258
More than 3 months	**-**	152
Trade receivables	**24,364**	16,697
Other receivables	**19,013**	22,852
	43,377	39,549

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

	2017	2016
	HK$'000	*HK$'000*
Ageing analysis (based on the due date) of trade payables:		
Current	**1,109**	675
Within 3 months	**187**	399
More than 3 months	**3**	3
Trade payables	**1,299**	1,077
Other payables		
– Government fees and levies	**4,220**	9,436
– Others	**65,640**	67,153
	69,860	76,589
	71,159	77,666

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 2017, the Group maintained a balance of cash and bank of HK$271.1 million (2016: HK$170.3 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 1.46 times (2016: 1.44 times).

As at 31 December 2017, the Group had bank borrowings of HK$1,354.8 million (2016: HK$1,425.0 million) being repayable within one year (2016: repayable within two years). As at 31 December 2017, the Group has no amount due to ultimate holding company (2016: HK$572.5 million); whereas the amount due to immediate holding company was HK$943.7 million (2016: Nil). Both amounts due were 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$1,354.8 million (2016: HK$1,425.0 million), which were fully utilised as at 31 December 2017 (2016: 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 2017, total equity attributable to equity shareholders of the Company amounted to HK$12,262.2 million (2016: HK$12,433.6 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amounts due to holding companies) less cash and bank balances over the total equity attributable to equity shareholders of the Company, increased from 14.7% as at 31 December 2016 to 16.5% as at 31 December 2017.

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 2017, 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 2017, the Group had no capital commitments contracted but not provided for (2016: Nil).

CHARGES ON ASSETS

As at 31 December 2017, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK$107.0 million (2016: HK$110.6 million) and HK$3,302 million (2016: HK$3,220 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any significant contingent liabilities (2016: Nil).

HUMAN RESOURCES

As at 31 December 2017, the total number of employees of the Group was about 280 (2016: 370). Staff costs (excluding directors' emoluments) during the year totalled HK$58,172,000 (2016: HK$59,428,000). The Group remunerates its employees by means of salary and bonus based on their performance, working experience, degree of hardship and prevailing market practice. The emolument policy of the Group is reviewed by the members of the Remuneration Committee and approved by the Board.

The emoluments of the Directors of the Company are recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics and approved by the Board.

The Group believes that the quality of its human resources is critical for it to maintain a strong competitive edge. The Group has encouraged its employees to take training courses to strengthen their all-round skills and knowledge, aiming to well equip them to cope with its development in the ever-changing economy.

In addition, the Group also held an annual dinner and a Christmas party for employees during the year to promote team spirit and loyalty and to encourage communication between departments.

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 2017 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 2017. 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 2017, 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 7 June 2017 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 2017.

2018 ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of the Company will be held on Wednesday, 27 June 2018 and the Notice of 2018 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 2018 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 22 June 2018 to Wednesday, 27 June 2018, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2018 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, 21 June 2018.

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, 9 July 2018 to Tuesday, 10 July 2018, 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, 6 July 2018.

PUBLICATION OF ANNUAL REPORT

The 2017 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, 27 March 2018

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, Dr. Tsui Wai Ling, Carlye and Prof. Dr. Teo Geok Tien Maurice are Independent Non-executive Directors of the Company.

* *For identification purpose only*