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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)

2018 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- The Group's net profit attributable to equity shareholders of the Company for the year ended 31 December 2018 increased considerably to HK$1,619 million from HK$270 million in 2017.
- Excluding revaluation gains from its investment properties net of tax and fair value gains on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2018 rose significantly to HK$1,403 million from HK$233 million in the year of 2017, an increase of over 5 times. The underlying net earnings per share for 2018 was 31.60 HK cents compared to the underlying net earnings per share of 5.26 HK cents in 2017.
- Full year dividend per share for 2018 amounts to 9.50 HK cents (2017: 2.20 HK cents), with a final dividend per share of 8.30 HK cents (2017: 2.00 HK cents).

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2018, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") for 2018 increased considerably to HK$1,619 million from HK$270 million in 2017. The earnings per share for 2018 amounted to 36.46 HK cents compared to 6.07 HK cents in 2017.

Excluding revaluation gains from its investment properties net of tax and fair value gains on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2018 rose significantly to HK$1,403 million from HK$233 million in 2017, an increase of over 5 times. The underlying net earnings per share for 2018 was 31.60 HK cents compared to the underlying net earnings per share of 5.26 HK cents in 2017.

The Board of Directors has recommended the payment of a final dividend per share for 2018 of 8.30 HK cents (2017: 2.00 HK cents). Together with the interim dividend of 1.20 HK cent per share (2017: 0.20 HK cent), the full year dividend for 2018 amounted to 9.50 HK cents per share (2017: 2.20 HK cents). The final dividend will be payable on Tuesday, 25 June 2019 to the shareholders whose names appear on the Register of Members of the Company on Thursday, 13 June 2019, subject to the approval of the shareholders at the 2019 Annual General Meeting.

BUSINESS REVIEW

Excluding revaluation gains from its investment properties net of tax and fair value gains on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2018 rose more than 5-fold to HK$1,403 million from HK$233 million in 2017. The significant increase in the Group's underlying net profit in 2018 was mainly due to total income received from its interests in the La Marina development project ("La Marina").

Property Development

Macau

Following the completion of construction works for La Marina in Macau and delivery of presold units to purchasers, the sale of the project has been well received by the market largely due to its excellent transportation network as well as its outstanding product quality, workmanship and design. La Marina was ranked the bestselling residential project in Macau in 2018 based on the data from the Financial Services Bureau of Macau.

In respect of the Pearl Horizon property development project in Macau, as the Court of Final Appeal rejected the application by Polytex Corporation Limited ("PCL") for invalidating the decision made by the Chief Executive of Macau to terminate the land concession of the project on 23 May 2018, PCL seeks compensations from the Macau Government for related losses and damages by submitting a claim to the Court of Macau on 29 November 2018. In case the above mentioned claim and all other possible approaches failed to protect the Group's interests, Polytec Holdings International Limited ("Polytec Holdings", the then ultimate controlling shareholder and currently a related company of the Group) is committed to indemnifying related losses incurred by the Group for the Pearl Horizon development project. Therefore, there should not have any adverse effects on the financial position of the Group due to the repossession of the development land by the Macau Government.

Mainland China

On 22 June 2018, the Group entered into the following two sale and purchase agreements with Polytec Holdings.

(1) the Group has conditionally agreed to acquire a 50% equity interest together with 50% sale loan of the company holding property development project in Zhongshan covering a site area of approximately 234,802 square meters ("sq m"), for a consideration of approximately HK$1,200 million ("Zhongshan Project")

(2) the Group has conditionally agreed to acquire a 60% equity interest together with 60% sale loan of the company holding the property development project in Zhuhai, which covers a site area of approximately 43,656 sq m for a consideration of approximately HK$644 million ("Zhuhai Project")

The acquisition of the Zhongshan Project was completed on 31 December 2018. Together with the acquisition of the Zhuhai Project to be completed within this year, the two acquisitions will add total attributable GFA of approximately 400,000 sq m to the Group's landbank.

Major Property Projects under Planning and Development

Property Project	District/City	Usage	Approx. Total Site Area (sq m)	Approx. Total GFA (sq m)	Group's Interest	Status	Expected Date of Completion
Zhongshan	South District, Zhongshan City	Residential & Commercial	234,802	587,000	50%	Under planning	2021-2023
Zhuhai*	Xiangzhou District, Zhuhai City	Commercial Office	43,656	179,000	60%	Under planning	2021

* the acquisition to be completed within this year.

Property Investment

For the year ended 31 December 2018, the Group's share of gross rental income generated from its investment properties fell to approximately HK$82 million, a decline of 5.5% over 2017. The decline in rental income was mainly due to a decrease in income from The Macau Square, the Group's 50%-owned investment property in Macau, with its share of total rental income of the property falling by HK$4.7 million to approximately HK$76 million for 2018 when compared to its share of rental income in 2017.

Oil

The oil segment recorded a loss of HK$14.8 million for the year ended 31 December 2018 compared to a loss of HK$246 million in 2017. The decline in the loss was mainly due to the rise in average oil prices during 2018 and no further impairment provisions were made for the oil assets for the year under review (impairment provisions of HK$226.5 million recorded in 2017).

Ice Manufacturing and Cold Storage

Total operating profit for the combined ice manufacturing and cold storage segment amounted to HK$25.5 million in 2018, a decrease of 13% over 2017. The decline in operating profit was attributable to the decrease in revenue from ice manufacturing business.

PROSPECTS

In 2018, the Group made a strategically important move by acquiring two property development projects in Zhongshan and Zhuhai, shifting its main development focus from Macau, a small city with the population of around 630,000, to the cities in the Guangdong-Hong Kong-Macau Greater Bay Area with the total population of approximately 70 million. The completion of these two acquisitions will mark a good start for the Group in Greater Bay Area.

The Group's net gearing ratio was 11.7% as of end-December 2018. This low and healthy gearing level has provided considerable room for the Group to further expand its development capacity. Therefore, it will continue to actively explore good investment opportunities in the Greater Bay Area as well as other regions, aiming to build a solid foundation for sustainable growth for the Group for many years to come.

Looking forward to 2019, in regards to the oil business in Kazakhstan, while the Group expects there would probably be no improvement in the segment results for 2019, it will still closely monitor the trend of international oil prices and adjust its oil business strategy accordingly. The Group's ice manufacturing and cold storage business in Hong Kong is expected to improve in 2019 as there are some signs of pickup in overall business performance in the first quarter of this year when compared to the same period in 2018. The rental income from its investment properties in Macau is expected to continue to generate stable income for the Group in 2019.

In Macau, while overall property transaction volumes started to fall in the beginning of the second half of 2018, the sales activity in the property market appeared to have picked up in March 2019. If the market sentiment continues to improve during the year, the Group would expect the sales of La Marina to be satisfactory and hence the income to be received from its interest in the project would make an important contribution to the Group's results in 2019.

I would like to take this opportunity to extend my appreciation to my fellow directors for their supports and contributions and to thank all staff for their commitment and hard work.

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2018 together with the comparative figures of 2017 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Revenue	*3*	**1,592,854**	693,884
Cost of sales		**(62,822)**	(60,514)
Gross profit		**1,530,032**	633,370
Other income	*4*	**11,786**	10,188
Selling and distribution expenses		**(48,090)**	(45,272)
Administrative expenses		**(48,512)**	(49,761)
Other operating expenses		**(51,365)**	(53,214)
Impairment of oil production and exploitation assets	*9*	**-**	(226,500)
Fair value changes on interests in property development		**170,201**	-
Profit from operations		**1,564,052**	268,811
Finance costs	*5(a)*	**(51,808)**	(36,307)
Share of profit of joint venture		**111,619**	106,162
Profit before taxation	*5*	**1,623,863**	338,666
Income tax	*6*	**(3,198)**	(67,118)
Profit for the year		**1,620,665**	271,548
Attributable to:			
– Equity shareholders of the Company		**1,618,545**	269,521
– Non-controlling interests		**2,120**	2,027
Profit for the year		**1,620,665**	271,548
Earnings per share – basic and diluted	*7*	**36.46 HK cents**	6.07 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018 **_HK$'000_**	2017 _HK$'000_
Profit for the year	**1,620,665**	271,548
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
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)
Total comprehensive income for the year	**1,620,665**	(138,305)
Attributable to:		
– Equity shareholders of the Company	**1,618,545**	(140,332)
– Non-controlling interests	**2,120**	2,027
Total comprehensive income for the year	**1,620,665**	(138,305)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**404,220**	425,456
Oil exploitation assets	*9*	**27,516**	28,175
Interests in property development	*10*	**11,149,530**	10,586,970
Interest in joint ventures		**2,519,932**	1,473,345
Deferred tax assets		**42,227**	42,227
Goodwill		**16,994**	16,994
		14,160,419	12,573,167
Current assets			
Interests in property development	*10*	**871,658**	1,264,017
Amount due from a related company		**1,220,000**	-
Amount due from a fellow subsidiary		**-**	500,000
Amount due from a joint venture		**197,075**	-
Inventories		**85,996**	86,024
Trade and other receivables	*11*	**205,912**	43,377
Cash and bank balances		**292,599**	271,109
		2,873,240	2,164,527
Current liabilities			
Trade and other payables	*12*	**75,411**	71,159
Bank loans		**73,500**	1,354,800
Current taxation		**59,979**	57,752
		208,890	1,483,711
Net current assets		**2,664,350**	680,816
Total assets less current liabilities		**16,824,769**	13,253,983

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2018

	Note	**2018** **HK$'000**	2017 *HK$'000*
Non-current liabilities			
Amount due to immediate holding company		**1,643,453**	943,666
Other payables		**17,450**	18,615
Bank loans		**1,396,500**	–
Deferred tax liabilities		**16,083**	16,824
		3,073,486	979,105
NET ASSETS		**13,751,283**	12,274,878
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**13,294,806**	11,818,308
Total equity attributable to equity shareholders of the Company		**13,738,703**	12,262,205
Non-controlling interests		**12,580**	12,673
TOTAL EQUITY		**13,751,283**	12,274,878

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 ("HKASs") 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

(a) Overview

The HKICPA has issued a number of new HKFRSs and 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:

- HKFRS 9, *Financial instruments*

- HKFRS 15, *Revenue from contracts with customers*

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, whereas the Group has not been impacted by HKFRS 15. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

(b) HKFRS 9, *Financial instruments*

The adoption of HKFRS 9 has resulted in the following changes in accounting policies for interests in property development:

In prior reporting periods, interests in property development were classified as available-for-sale financial assets and changes in fair value were recognised in other comprehensive income. Upon the adoption of HKFRS 9, interests in property development are classified as investments measured at fair value through profit or loss ("FVPL") and changes in fair value of the investments (including interest) are recognised in profit or loss.

2. CHANGES IN ACCOUNTING POLICIES (*continued*)

(b) HKFRS 9, *Financial instruments* *(continued)*

The above changes in accounting policies have been applied retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39, *Financial instruments: recognition and measurement*.

The following table summarises the impact of transition to HKFRS 9 on retained profits and fair value reserve at 1 January 2018.

	HK$'000
Retained profits	
Transferred from fair value reserve relating to financial assets now measured at FVPL	4,354,987
Increase in retained profits at 1 January 2018	4,354,987
Fair value reserve	
Transferred to retained profits relating to financial assets now measured at FVPL	(4,354,987)
Decrease in fair value reserve at 1 January 2018	(4,354,987)

The following table shows the original measurement category for available-for-sale financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount at 31 December 2017 *HK$'000*	Reclassification *HK$'000*	HKFRS 9 carrying amount at 1 January 2018 *HK$'000*
Financial assets carried at FVPL under HKFRS 9			
Interests in property development*	-	11,850,987	11,850,987
Financial assets classified as available-for-sale under HKAS 39			
Interests in property development*	11,850,987	(11,850,987)	-

*Under HKAS 39, interests in property development were classified as available-for-sale financial assets. They are classified as financial assets carried at FVPL under HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES (*continued*)

(b) HKFRS 9, *Financial instruments (continued)*

The measurement categories for all financial assets and financial liabilities measured at amortised cost remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018.

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure a lifetime expected credit loss, depending on the asset and the facts and circumstances. The application of the expected credit loss model will result in earlier recognition of credit losses, but with no material financial impact to the Group.

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 three (2017: four) operating segments for the year which comprise property investment, trading and development related activities and interests in property development ("Properties"), oil exploration and production related activities ("Oil") and manufacturing of ice and provision of cold storage and related services ("Ice and cold storage").

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 fair value changes on interests in property development, 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 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 *HK$'000*	**Oil** *HK$'000*	**Ice and cold storage** *HK$'000*	**2018 Total** *HK$'000*
Revenue	**1,400,000**	**75,053**	**117,801**	**1,592,854**
Reportable segment result	**1,406,525**	**(14,777)**	**25,451**	**1,417,199**
Fair value changes on interests in property development	**170,201**	**–**	**–**	**170,201**
Head office and corporate expenses				**(23,348)**
Profit from operations				**1,564,052**
Finance costs				**(51,808)**
Share of profit of joint venture	**111,619**	**–**	**–**	**111,619**
Profit before taxation				**1,623,863**
Reportable segment assets	**13,479,897**	**343,485**	**145,240**	**13,968,622**
Interest in and amount due from joint ventures	**2,717,007**	**–**	**–**	**2,717,007**
Deferred tax assets				**42,227**
Head office and corporate assets				**305,803**
				17,033,659
Capital expenditure incurred	**–**	**3,286**	**1,187**	**4,473**
Depreciation and amortisation	–	**17,862**	**7,463**	**25,325**

During the year ended 31 December 2018, the Group had recognised a distribution from interests in property development of HK$1,400,000,000 as revenue 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*	2017 Total *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 as revenue under the "Properties" segment, 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**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**1,517,801**	631,954	**2,645,955**	1,606,393
Kazakhstan	**75,053**	61,930	**322,707**	337,577
	1,592,854	693,884	**2,968,662**	1,943,970

In addition to the above non-current assets, the Group has interests in property development of HK$11,149,530,000 (2017: HK$10,586,970,000) in the People's Republic of China.

4. OTHER INCOME

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

	2018	2017
	HK$'000	*HK$'000*
Rental income from properties held for sale	**8,372**	8,406
Bank and other interest income	**384**	430
Others	**3,030**	1,352
	11,786	10,188

5. PROFIT BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on		
– Bank borrowings wholly repayable within five years	**35,371**	25,473
– Amount due to ultimate holding company repayable after more than one year	**–**	3,441
– Amount due to immediate holding company repayable after more than one year	**15,441**	6,374
	50,812	35,288
Other finance costs	**996**	1,019
	51,808	36,307
(b) Staff costs		
Staff costs (excluding directors' remuneration)#:		
Wages and salaries	**54,486**	56,443
Contributions to retirement benefit scheme	**1,665**	1,729
	56,151	58,172
(c) Other items		
Depreciation of property, plant and equipment#	**24,666**	25,303
Amortisation of oil exploitation assets#	**659**	955
Minimum lease payments under operating leases in respect of land and buildings	**1,745**	1,910
Exchange loss	**3,779**	6,319
(Gain)/loss on disposal of property, plant and equipment	**(57)**	58
Share of taxation of joint venture (included in share of profit of joint venture)	**13,859**	13,036

Cost of sales includes HK$22,109,000 (2017: HK$22,410,000) 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 5(b) for each of these types of expenses.

6. INCOME TAX

Taxation in the consolidated income statement represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**1,918**	2,294
– Income tax outside Hong Kong	**2,069**	2,092
– (Over)/under provision in respect of prior years	**(48)**	43
	3,939	4,429
Deferred tax	**(741)**	62,689
	3,198	67,118

The provision for Hong Kong Profits Tax for 2018 is calculated at 16.5% (2017: 16.5%) of the estimated assessable profits for the year. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant countries.

7. 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$1,618,545,000 (2017: HK$269,521,000) and 4,438,967,838 ordinary shares (2017: 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 2018 and 2017.

8. DIVIDENDS

Dividends attributable to the year:

	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.012 (2017: HK$0.002) per share	**53,268**	8,878
Final dividend proposed after the end of the reporting period of HK$0.083 (2017: HK$0.02) per share	**368,434**	88,779
	421,702	97,657

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

9. OIL PRODUCTION AND EXPLOITATION ASSETS

As at 31 December 2018, the Group had oil production assets of HK$295,191,000 (2017: HK$309,402,000) (included in property, plant and equipment) and oil exploitation assets of HK$27,516,000 (2017: HK$28,175,000). 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 has expired 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.

As at 31 December 2018, management reassessed the operation and the risk exposures of the Group's oil exploration and production business as a whole and estimated that the estimated recoverable amounts of the oil production and exploitation assets exceeded their carrying values. No further impairment loss is considered necessary for the year ended 31 December 2018. The recoverable amounts of oil production and exploitation assets were determined based on the value in use calculations applying a discount rate of 12.5% (2017: 12.5%). As at 31 December 2017, the carrying values of the oil production and exploitation assets exceeded their 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.

10. INTERESTS IN PROPERTY DEVELOPMENT

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**11,850,987**	12,060,840
Distribution	**(1,400,000)**	(500,000)
Change in fair value recognised in profit or loss/other comprehensive income*	**1,570,201**	90,147
Net changes in fair value	**170,201**	(409,853)
Additional funding	**-**	200,000
At 31 December	**12,021,188**	11,850,987
Representing:		
Non-current	**11,149,530**	10,586,970
Current	**871,658**	1,264,017
	12,021,188	11,850,987

*As a result of the adoption of HKFRS 9, fair value changes on interests in property development are recognised in profit or loss (see note 2(b)).

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 Polytec Holdings International Limited ("Polytec Holdings"), a related 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 Polytec Holdings 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.

In respect of the development project at Lote P, its land concession was agreed in December 1990 whereby the proposed use of land was successfully converted from industrial to residential and commercial in 2006, with a lease term of 25 years ended 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 is 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 it was declined by the relevant department of the Macau SAR Government.

10. INTERESTS IN PROPERTY DEVELOPMENT *(continued)*

On 23 May 2018, the Tribunal de Ultima Instancia (the Court of Final Appeal) of the Macau SAR rejected the application of final appeal by Polytex Corporation Limited ("PCL"), the registered owner of the property of the project and a wholly-owned subsidiary of Polytec Holdings, 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, it is expected that the principal application by PCL to the Tribunal Administrativo (the Administrative Court) of the Macau SAR requesting compensation of time (by way of extension of the concession) for the project will cease to proceed, due to the aforesaid unfavourable judgement of the Tribunal de Ultima Instancia (the Court of Final Appeal) of the Macau SAR.

Based on the legal opinion obtained by the Company, management is of the view that PCL has strong legal grounds and arguments to seek compensation from the Macau SAR Government for losses and damages, including but not limited to all actual losses suffered and all loss of profit as expected to be derived upon completion of the project, as a result of the procedural delay in granting the requisite approvals and permits for the development of the project which caused the incompletion of the project before the Expiry Date. On 29 November 2018, PCL had filed a civil claim against the Macau SAR Government to seek compensation for losses and damages on the development project at Lote P.

In addition, pursuant to the co-investment agreement for the development of the project, in the event that PCL fails to complete the project under the co-investment agreement, Polytec Holdings will be required to indemnify the Group in respect of any loss suffered. Therefore, any loss to the Group due to the repossession of the land of the project by the Macau SAR Government will be indemnified by Polytec Holdings. Accordingly, no impairment for the interests in the project was considered necessary at 31 December 2018.

In respect of the development project at Lotes T+T1, the occupation permit had been obtained in July 2017. The pre-sold residential units have been gradually delivered to the purchasers since late December of 2017, and the unsold residential units have been putting on the market for sale in phases.

During 2018, pursuant to one of the co-investment agreements, distributions of HK$1,400,000,000 (2017: HK$500,000,000) was made by one of the wholly-owned subsidiaries of Polytec Holdings to the Company, in relation to the property development project at Lotes T+T1. Income arising from interests in property development recognised in the consolidated income statement amounted to HK$1,400,000,000 (2017: HK$500,000,000).

As at 31 December 2018, out of the interests in property development, an amount of HK$871,658,000 (2017: HK$1,264,017,000) was expected to be recoverable within one year and was classified as current assets.

11. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
The following is an ageing analysis (based on the due date) of trade receivables:		
Current	**10,227**	17,048
Within 3 months	**7,424**	7,316
More than 3 months	**16**	-
Trade receivables	**17,667**	24,364
Other receivables*	**188,245**	19,013
	205,912	43,377

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.

* As at 31 December 2018, included in other receivables was a deposit of HK$161,095,000 paid to Polytec Holdings for the proposed acquisition of 60% interest of a wholly owned subsidiary of Polytec Holdings together with the assignment of loans from Polytec Holdings. During the year, the Group has paid the deposit of HK$161,095,000 for the proposed acquisition through the loan from immediate holding company. Details of the acquisition were disclosed in the announcement of the Company dated 22 June 2018.

12. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
The following is an ageing analysis (based on the due date) of trade payables:		
Current	**386**	1,109
Within 3 months	**39**	187
More than 3 months	**3**	3
Trade payables	**428**	1,299
Other payables		
– Government fees and levies	**4,594**	4,220
– Others	**70,389**	65,640
	74,983	69,860
	75,411	71,159

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 2018, the Group maintained a balance of cash and bank of HK$292.6 million (2017: HK$271.1 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 13.75 times (2017: 1.46 times).

As at 31 December 2018, the Group had bank borrowings of HK$1,470.0 million (2017: HK$1,354.8 million), with HK$73.5 million being repayable within one year, HK$73.5 million being repayable after one year but within two years and HK$1,323.0 million being repayable after two years but within five years. As at 31 December 2018, the amount due to immediate holding company was HK$1,643.5 million (2017: 943.7 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$1,470.0 million (2017: HK$1,354.8 million), which were fully utilised as at 31 December 2018 (2017: 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 2018, total equity attributable to equity shareholders of the Company amounted to HK$13,738.7 million (2017: HK$12,262.2 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to immediate holding company) less amount due from a related company / a fellow subsidiary and cash and bank balances over the total equity attributable to equity shareholders of the Company, decreased from 12.5% as at 31 December 2017 to 11.7% as at 31 December 2018.

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 2018, 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 2018, the Group had capital commitments contracted but not provided for in the amount of HK$1.2 million (2017: Nil).

CHARGES ON ASSETS

As at 31 December 2018, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK$103.4 million (2017: HK$107.0 million) and HK$1,778 million (2017: HK$1,709 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any significant contingent liabilities (2017: Nil).

HUMAN RESOURCES

As at 31 December 2018, the total number of employees of the Group was about 260 (2017: 280). Staff costs (excluding directors' emoluments) during the year totalled HK$56,151,000 (2017: HK$58,172,000). 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 2018 including critical accounting policies and practices adopted by the Group.

SCOPE OF WORK OF KPMG

The financial figures in respect of the Group's consolidated financial position, consolidated income statement and consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2018 as set out in the announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2018.

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 2018.

2019 ANNUAL GENERAL MEETING

The 2019 Annual General Meeting of the Company will be held on Wednesday, 5 June 2019 and the Notice of 2019 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 2019 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 31 May 2019 to Wednesday, 5 June 2019, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2019 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, 30 May 2019.

For the purpose of determining members who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 12 June 2019 to Thursday, 13 June 2019, 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 Tuesday, 11 June 2019.

PUBLICATION OF ANNUAL REPORT

The 2018 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 2019

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*