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)

2019 INTERIM RESULTS ANNOUNCEMENT

HIGHLIGHTS

- The Group's unaudited net profit attributable to equity shareholders of the Company for the first half of 2019 increased to HK$711 million from HK$648 million, an increase of 9.8% as compared to the corresponding period in 2018.

- 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 the first half of 2019 rose to HK$210 million from HK$183 million, an increase of 14.8% compared to the same period of 2018. The underlying net interim earnings per share for 2019 was 4.74 HK cents compared to the underlying net interim earnings per share of 4.13 HK cents in 2018.

- Interim dividend per share for 2019 amounted to 1.30 HK cents (2018: 1.20 HK cents).

INTERIM RESULTS AND DIVIDENDS

For the six months ended 30 June 2019, the unaudited net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") for the first half of 2019 increased to HK$711 million from HK$648 million, an increase of 9.8% as compared to the corresponding period in 2018. The interim earnings per share for 2019 amounted to 16.03 HK cents compared to 14.60 HK cents in 2018.

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 the first six months of 2019 rose to HK$210 million from HK$183 million, an increase of 14.8% compared to the same period of 2018. The underlying net interim earnings per share for 2019 was 4.74 HK cents compared to the underlying net interim earnings per share of 4.13 HK cents in 2018.

The Board of Directors has declared an interim dividend per share for 2019 of 1.30 HK cents (2018: 1.20 HK cents). The interim dividend will be payable on Wednesday, 11 December 2019 to shareholders whose names appear on the Register of Members of the Company on Tuesday, 26 November 2019.

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 amounted to HK$210 million for the period under review compared to HK$183 million for the same period in 2018. The increase in the Group's underlying net profit was mainly due to the increase in the income received from its interest in the La Marina development project.

Property Development

Macau

In respect of the La Marina development project, the sale of the project continued to be well received by the market, with sales remaining strong in the first half of 2019, largely due to its excellent transportation network, outstanding design and quality as well as the brand effect. For the period under review, the Group received net income distribution of HK$220 million for its interest in this development project.

In respect of the Pearl Horizon development project, the claim submitted by Polytex Corporation Limited to the Court of Macau on 29 November 2018 to seek compensations from the Macau Government for related losses and damages is still in progress. In case the above mentioned claim and all other possible approaches failed to protect the Group's interests, Polytec Holdings International Limited, 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 be any adverse effects on the financial position of the Group due to the repossession of the development land by the Macau Government.

Mainland China

In regards to the newly acquired Zhongshan property development project, site clearance work was completed and drainage work is in progress. The overall planning for the project by a professional design house is well underway.

The acquisition of Zhuhai property development project is expected to be completed by the end of 2019.

Property Investment

For the period under review, the Group's share of gross rental income generated from its investment properties rose slightly to HK$41.4 million. The rental income was mainly generated from The Macau Square, the Group's 50%-owned investment property in Macau, with its share of total rental income of the property amounting to HK$38.3 million for the first half of 2019 as compared to HK$38.1 million for the same period in 2018.

Oil

The oil segment recorded an operating loss of HK$10.3 million for the six months ended 30 June 2019, compared to a loss of HK$8.7 million over the same period in 2018. The increase in operating loss was mainly due to the drop in oil prices and sales volume during the period under review when compared to the first half of 2018.

Ice Manufacturing and Cold Storage

For the period under review, the total operating profit for the ice manufacturing and cold storage segment amounted to HK$8.4 million, a decrease of 12% over the corresponding period in 2018. The decline in operating profit was attributable to the decrease in revenue from ice manufacturing business.

PROSPECTS

The overall economy in Macau appeared to be contracting slightly in the first half of 2019. Together with escalating China-US trade dispute and slowdown in economic growth in China, the home purchasing desire has significantly been affected with investors or home buyers largely taking a wait-and-see attitude. As a result, overall residential transaction volume fell considerably in the first six months of 2019 compared to the same period last year. The property market in Macau will likely remain unchanged for the rest of 2019.

Despite weakening overall sentiment in the property market in the first half of 2019, La Marina recorded outstanding sales, with the project being ranked the bestselling project in Macau for the period under review. This achievement can be attributable to its remarkable products with thoughtful designs aiming to provide residents a modern nice living place, which is well received by the market. The Group remains optimistic about the sales at La Marina in the second half of 2019.

If the Group's two new property development projects in Zhongshan and Zhuhai progress well, it will further increase its investment and extend its development footprint in the Greater Bay Area.

Looking ahead, the income to be received from the Group's interest in the La Marina development project will remain to be the most important contribution to the its results in the second half of 2019. The rental income from its investment properties in Macau as well as the ice manufacturing and cold storage business will be expected to generate stable income for the Group. In view of a slowing global economy and hence weakening oil demand, the Group will evaluate the oil business in Kazakhstan and will make appropriate provisions on its oil assets if necessary.

The Group has been actively exploring investment opportunities in various areas aiming to sustain its continuous growth and development and will make relevant announcements in due course.

I would like to take this opportunity to express my thankfulness to my fellow directors for their professional advices and all staff for their commitment and hard work.

INTERIM RESULTS

The unaudited consolidated results of the Group for the six months ended 30 June 2019 together with the comparative figures of 2018 are as follows:

CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2019	2018
	Note	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**295,467**	268,447
Cost of sales		**(26,521)**	(29,076)
Gross profit		**268,946**	239,371
Other income		**4,933**	4,793
Selling and distribution expenses		**(17,490)**	(23,511)
Administrative expenses		**(18,775)**	(20,603)
Other operating expenses		**(26,295)**	(25,055)
Fair value changes on interests in property development		**491,709**	447,153
Profit from operations		**703,028**	622,148
Finance costs	*4*	**(32,226)**	(21,352)
Share of profits of joint ventures		**42,943**	49,510
Profit before taxation	*5*	**713,745**	650,306
Income tax	*6*	**(1,230)**	(1,060)
Profit for the period		**712,515**	649,246
Attributable to:			
Equity shareholders of the Company		**711,419**	648,172
Non-controlling interests		**1,096**	1,074
Profit for the period		**712,515**	649,246
Earnings per share — basic and diluted	*7*	**16.03 HK cents**	14.60 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**712,515**	649,246
Other comprehensive income for the period		
Item that may be reclassified subsequently to profit or loss:		
Share of other comprehensive income of a joint venture	**(3,891)**	-
Total comprehensive income for the period	**708,624**	649,246
Attributable to:		
Equity shareholders of the Company	**707,528**	648,172
Non-controlling interests	**1,096**	1,074
Total comprehensive income for the period	**708,624**	649,246

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	At 30 June 2019 HK$'000 (unaudited)	At 31 December 2018 HK$'000 (audited)
Non-current assets			
Property, plant and equipment	*9*	**395,232**	404,220
Oil exploitation assets	*9*	**27,212**	27,516
Interests in property development	*10*	**11,201,093**	11,149,530
Interest in joint ventures		**2,545,856**	2,519,932
Deferred tax assets		**42,227**	42,227
Goodwill		**16,994**	16,994
		14,228,614	14,160,419
Current assets			
Interests in property development	*10*	**1,311,804**	871,658
Amount due from a related company		**220,000**	1,220,000
Amount due from a joint venture		**197,075**	197,075
Inventories		**84,160**	85,996
Trade and other receivables	*11*	**207,117**	205,912
Cash and bank balances		**295,531**	292,599
		2,315,687	2,873,240
Current liabilities			
Trade and other payables	*12*	**55,502**	75,411
Bank loans		**73,500**	73,500
Current taxation		**61,324**	59,979
		190,326	208,890
Net current assets		**2,125,361**	2,664,350
Total assets less current liabilities		**16,353,975**	16,824,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (*continued*)

	Note	**At 30 June 2019**	At 31 December 2018
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current liabilities			
Amount due to immediate holding company		**817,563**	1,643,453
Amount due to a related company		**17,065**	-
Other payables		**17,619**	17,450
Bank loans		**1,396,500**	1,396,500
Deferred tax liabilities		**15,968**	16,083
		2,264,715	3,073,486
NET ASSETS		**14,089,260**	13,751,283
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**13,633,900**	13,294,806
Total equity attributable to equity shareholders of the Company		**14,077,797**	13,738,703
Non-controlling interests		**11,463**	12,580
TOTAL EQUITY		**14,089,260**	13,751,283

Notes:

1. BASIS OF PREPARATION

The unaudited interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of these changes in accounting policies are set out in note 2.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new Hong Kong Financial Reporting Standard ("HKFRS") 16, "Leases", and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in the interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, "Leases"

HKFRS 16 replaces HKAS 17, "Leases", and the related interpretations, HK(IFRIC) 4, "Determining whether an arrangement contains a lease", HK(SIC) 15, "Operating leases – incentives", and HK(SIC) 27, "Evaluating the substance of transactions involving the legal form of a lease".

The key changes to the Group's accounting policies resulting from the adoption of HKFRS 16 are summarised below.

As a lessee

As a lessee, the Group previously classified leases as operating or finance leases under HKAS 17 based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under HKFRS 16, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17.

The Group decided to apply recognition exemptions to short-term leases that have a lease term of 12 months or less and leases of low-value assets. For leases of other assets, the Group recognised right-of-use assets and lease liabilities.

As a lessor

HKFRS 16 does not substantially change how a lessor accounts for leases under HKAS 17.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are property investment and development, oil exploration and production, manufacturing of ice and provision of cold storage services.

Disaggregation of revenue

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of HKFRS 15:		
Sale of crude oil	**26,039**	36,549
Sale of goods	**32,114**	36,410
Service income	**17,314**	15,488
	75,467	88,447
Revenue from other source:		
Distribution from interests in property development	**220,000**	180,000
	295,467	268,447

(b) 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 operating segments for the period which comprise properties 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 profits of joint ventures, finance costs and head office and corporate expenses.

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

3. REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

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

	Six months ended 30 June 2019			
	Properties *HK$'000*	**Oil** *HK$'000*	**Ice and Cold Storage** *HK$'000*	**Total** *HK$'000*
Revenue	**220,000**	**26,183**	**49,284**	**295,467**
Reportable segment result	**222,996**	**(10,343)**	**8,439**	**221,092**
Fair value changes on interests in property development	**491,709**	**-**	**-**	**491,709**
Head office and corporate expenses				**(9,773)**
Profit from operations				**703,028**
Finance costs				**(32,226)**
Share of profits of joint ventures	**42,943**	**-**	**-**	**42,943**
Profit before taxation				**713,745**

	At 30 June 2019			
	Properties *HK$'000*	**Oil** *HK$'000*	**Ice and Cold Storage** *HK$'000*	**Total** *HK$'000*
Reportable segment assets	**12,971,788**	**339,644**	**140,471**	**13,451,903**
Interest in and amount due from joint ventures	**2,742,931**	**-**	**-**	**2,742,931**
Deferred tax assets				**42,227**
Head office and corporate assets				**307,240**
				16,544,301

3. REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

	Six months ended 30 June 2018			
	Properties *HK$'000*	Oil *HK$'000*	Ice and Cold Storage *HK$'000*	Total *HK$'000*
Revenue	180,000	36,584	51,863	268,447
Reportable segment result	183,304	(8,664)	9,597	184,237
Fair value changes on interests in property development	447,153	-	-	447,153
Head office and corporate expenses				(9,242)
Profit from operations				622,148
Finance costs				(21,352)
Share of profit of joint venture	49,510	-	-	49,510
Profit before taxation				650,306

	At 31 December 2018			
	Properties *HK$'000*	Oil *HK$'000*	Ice and Cold Storage *HK$'000*	Total *HK$'000*
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

4. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interest expense on		
Bank borrowings wholly repayable within five years	**20,816**	15,282
Amount due to immediate holding company repayable after more than one year	**10,965**	5,555
Amount due to a related company repayable after more than one year	**13**	-
	31,794	20,837
Other finance costs	**432**	515
	32,226	21,352

5. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Depreciation and amortisation[#]	**11,713**	11,655

[#] Cost of sales includes HK$8,521,000 (six months ended 30 June 2018: HK$7,650,000) relating to depreciation and amortisation expenses.

6. INCOME TAX

Taxation in the consolidated income statement represents:

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
— Hong Kong Profits Tax	**305**	320
— Income tax outside Hong Kong	**1,040**	1,046
Deferred tax	**(115)**	(306)
	1,230	1,060

The provision for Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profits for the six months ended 30 June 2019. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation ruling in the relevant jurisdictions.

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$711,419,000 (six months ended 30 June 2018: HK$648,172,000) and 4,438,967,838 (six months ended 30 June 2018: 4,438,967,838) ordinary shares in issue during the period.

(b) Diluted earnings per share

There were no dilutive potential shares in existence during the six months ended 30 June 2019 and 2018.

8. DIVIDENDS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared after the interim period of HK$0.013 (six months ended 30 June 2018: HK$0.012) per share	**57,707**	53,268

The interim dividend declared after the interim period has not been recognised as a liability at the interim period end date.

9. OIL PRODUCTION ASSETS AND OIL EXPLOITATION ASSETS

As at 30 June 2019, the Group had oil production assets of HK$287,241,000 (31 December 2018: HK$295,191,000) (included in property, plant and equipment) and oil exploitation assets of HK$27,212,000 (31 December 2018: HK$27,516,000). 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 was expired on 31 December 2018. During the period under review, Caspi Neft TME maintained a minimum production and also renewed the gas flaring permit which will expire on 30 September 2019.

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 30 September 2019 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 30 June 2019, 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 impairment loss is considered necessary for the six months ended 30 June 2019. The recoverable amounts of oil production and exploitation assets were determined based on value in use calculations applying a discount rate of 12.5% (31 December 2018: 12.5%).

10. INTERESTS IN PROPERTY DEVELOPMENT

	2019	2018
	HK\$'000	*HK\$'000*
At 1 January	**12,021,188**	11,850,987
Distributions	**(220,000)**	(1,400,000)
Change in fair value recognised in profit or loss	**711,709**	1,570,201
Net changes in fair value	**491,709**	170,201
At 30 June / 31 December	**12,512,897**	12,021,188
Representing:		
Non-current	**11,201,093**	11,149,530
Current	**1,311,804**	871,658
	12,512,897	12,021,188

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

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 30 June 2019.

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 the period ended 30 June 2019, pursuant to the co-investment agreement, distribution of HK$220,000,000 (six months ended 30 June 2018: HK$180,000,000) was made by a wholly-owned subsidiary 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 from the distribution during the period ended 30 June 2019 amounted to HK$220,000,000 (six months ended 30 June 2018: HK$180,000,000).

As at 30 June 2019, interests in property development of HK$1,311,804,000 (31 December 2018: HK$871,658,000) was expected to be recoverable within one year and was classified as current assets.

11. TRADE AND OTHER RECEIVABLES

The following is an ageing analysis (based on the due date) of trade receivables:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Current	**11,840**	10,227
Within 3 months	**8,059**	7,424
More than 3 months	**-**	16
Trade receivables	**19,899**	17,667
Other receivables	**187,218**	188,245
	207,117	205,912

As at 30 June 2019 and 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. In 2018, 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.

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

The following is an ageing analysis (based on the due date) of trade payables:

	At 30 June 2019	At 31 December 2018
	HK$'000	*HK$'000*
Current	**586**	386
Within 3 months	**47**	39
More than 3 months	**3**	3
Trade payables	**636**	428
Other payables		
— Government fees and levies	**5,523**	4,594
— Others	**49,343**	70,389
	54,866	74,983
	55,502	75,411

FINANCIAL REVIEW

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group continued to maintain a sound financial liquidity position for the period under review. As at 30 June 2019, the Group maintained a balance of cash and bank of HK$295.5 million (31 December 2018: HK$292.6 million), which was mainly denominated in Hong Kong dollars. The Group maintained a robust current ratio of 12.17 times (31 December 2018: 13.75 times).

As at 30 June 2019, the Group had bank borrowings of HK$1,470.0 million (31 December 2018: HK$1,470.0 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 30 June 2019, the amounts due to immediate holding company and a related company were HK$817.6 million (31 December 2018: HK$1,643.5 million) and HK$17.1 million (31 December 2018: Nil) respectively. Both amounts 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$1,470.0 million (31 December 2018: HK$1,470.0 million), which were fully utilised as at 30 June 2019 (31 December 2018: 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 30 June 2019, total equity attributable to equity shareholders of the Company amounted to HK$14,077.8 million (31 December 2018: HK$13,738.7 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amounts due to immediate holding company and a related company) less amount due from a related company and cash and bank balances over the total equity attributable to equity shareholders of the Company, increased from 11.7% as at 31 December 2018 to 12.7% as at 30 June 2019.

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 30 June 2019, 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 30 June 2019, the Group had no capital commitments contracted but not provided for (31 December 2018: HK$1.2 million).

FINANCIAL REVIEW *(continued)*

CHARGES ON ASSETS

As at 30 June 2019, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK$101.6 million (31 December 2018: HK$103.4 million) and HK$1,714 million (31 December 2018: HK$1,778 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any significant contingent liabilities (31 December 2018: Nil).

HUMAN RESOURCES

As at 30 June 2019, the total number of employees of the Group was about 250 (31 December 2018: 260). Staff costs (excluding directors' emoluments) during the period totalled HK$26,085,000 (six months ended 30 June 2018: HK$27,125,000). 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.

OTHER INFORMATION

REVIEW OF INTERIM RESULTS

The Audit Committee of the Company has reviewed the unaudited interim financial statements of the Group for the six months ended 30 June 2019.

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 six months ended 30 June 2019.

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 six months ended 30 June 2019.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining members who qualify for the interim dividend, the Register of Members of the Company will be closed from Monday, 25 November 2019 to Tuesday, 26 November 2019, both dates inclusive. During this period, no transfer of shares will be registered. In order to qualify for the interim 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Friday, 22 November 2019.

PUBLICATION OF INTERIM REPORT

The 2019 Interim 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, 21 August 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*