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 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

- The Group's net profit attributable to equity shareholders of the Company for the year ended 31 December 2019 fell to HK$707 million from HK$1,619 million in 2018, a decrease of 56%.

- Excluding revaluation gains from the joint venture's investment properties net of tax and fair value changes on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2019 fell to HK$447 million from HK$1,403 million in 2018, a decrease of 68%. The underlying net earnings per share for 2019 was 10.07 HK cents compared to the underlying net earnings per share of 31.60 HK cents in 2018.

- Full year dividend per share for 2019 amounts to 7.30 HK cents (2018: 9.50 HK cents), with a final dividend per share of 6.00 HK cents (2018: 8.30 HK cents).

GROUP RESULTS AND DIVIDENDS

For the year ended 31 December 2019, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") fell to HK$707 million from HK$1,619 million in 2018, a decrease of 56%. The earnings per share for 2019 amounted to 15.93 HK cents compared to 36.46 HK cents in 2018.

Excluding revaluation gains from the joint venture's investment properties net of tax and fair value changes on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2019 fell to HK$447 million from HK$1,403 million in 2018, a decrease of 68%. The underlying net earnings per share for 2019 was 10.07 HK cents compared to the underlying net earnings per share of 31.60 HK cents in 2018.

The Board of Directors has recommended the payment of a final dividend per share for 2019 of 6.00 HK cents (2018: 8.30 HK cents). Together with the interim dividend of 1.30 HK cents per share (2018: 1.20 HK cents), the full year dividend for 2019 amounted to 7.30 HK cents per share (2018: 9.50 HK cents). The final dividend will be payable on Monday, 29 June 2020 to shareholders whose names appear on the Register of Members of the Company on Thursday, 18 June 2020, subject to the approval of shareholders at the 2020 Annual General Meeting.

BUSINESS REVIEW

Excluding revaluation gains from the joint venture's investment properties net of tax and fair value changes on its interests in the property development projects, the Group's underlying net profit attributable to equity shareholders of the Company for 2019 fell to HK$447 million from HK$1,403 million in 2018. The decline in the Group's underlying net profit for the year under review was mainly due to the decrease in the net income distributions from its interests in the La Marina development project and an impairment loss made for the Group's oil production and exploitation assets in Kazakhstan.

Property Development

Macau

In respect of the La Marina development project, the Group received net income distributions of HK$720 million for its interest in this development project for the year ended 31 December 2019.

Mainland China

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

As announced on 6 January 2020, the acquisition of the Zhuhai property development project was terminated as one of the conditions precedent to its sale and purchase agreement was not satisfied.

Property Investment

For the year ended 31 December 2019, the Group's share of gross rental income generated from the joint venture's investment properties rose to approximately HK$84 million, an increase of 2.4% over 2018. The rental income was mainly generated from The Macau Square, the Group's 50%-owned investment property, with its share of total rental income of the property rising by HK$1 million to approximately HK$77 million in 2019.

Oil

The oil segment recorded a loss after tax of HK$285 million for the year ended 31 December 2019 compared to a loss of HK$15.9 million in 2018. The increase in the loss was mainly due to an impairment loss of HK$270 million made for the Group's oil production and exploitation assets in Kazakhstan (with the change in its related tax being included) for the year under review. Management is of the view that the above impairment is based on the assessment of the prevailing oil market and its development plan.

Ice Manufacturing and Cold Storage

Total operating profit for the combined ice manufacturing and cold storage segment amounted to HK$25.2 million in 2019, a decrease of 1% over 2018 due to weakening demand.

Financial Investment

The Group commenced its engagement in financial investment activities in August 2019, with total net income of HK$7.6 million from its fixed-income (bonds) and equity (blue-chip stocks) investments being recorded for the year ended 31 December 2019.

PROSPECTS

Looking ahead to the rest of 2020, the on-going coronavirus outbreak across the globe as a pandemic has caused extraordinarily high volatility in the world financial markets and the adverse impacts of the outbreak on the global economy are yet to be assessed. The Brent crude oil price has recently plummeted having reached a level below US$25 per barrel. If the Brent oil price does not rebound significantly, the Group will have to fully write off its oil assets in Kazakhstan in 2020 and will consider closing down the business. The current net book value of Group's oil assets is approximately HK$66.7 million, representing only less than 0.5% of the Group's net asset value and hence the impact of the write-off on the Group will be limited. The Group's rental income from the investment properties in Macau and its ice manufacturing and cold storage business in Hong Kong are also expected to be adversely affected by the coronavirus pandemic.

The basic infrastructure works for the Zhongshan property development project have commenced. While the Group has terminated the acquisition of the Zhuhai property development project, we will still assess the related company's other potential property development projects in the Greater Bay Area and will not rule out re-starting the negotiation process when the relevant condition precedent for the acquisition of the Zhuhai project is satisfied, for strengthening the Group's property business.

While the activity in the property market in Macau slowed in 2019, the Group's La Marina development project was still well received by the market and the sales of its residential units for the year under review remained satisfactory due to its excellent quality and design. The income to be received from the Group's interest in this development project is expected to make an important contribution to the Group's results in the coming one to two years.

The Group commenced its engagement in financial investment activities in August 2019. This would allow more flexibility in utilizing the Group's existing resources and by taking a prudent approach, we would mainly focus on fixed income investment (bonds), aiming to generate stable income for the Group.

As of 31 December 2019, the Group's gearing ratio remained at a healthy and low level of only 12%, which would provide a favourable condition for the Group to accelerate its development going forward. The Group will closely monitor the coronavirus pandemic situation and will adjust the business strategy accordingly. We will also actively explore investment opportunities aiming to build a solid foundation gradually for future sustainable development and growth.

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

CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures of 2018 are as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	*3*	**906,877**	1,592,854
Cost of sales		**(70,670)**	(62,822)
Gross profit		**836,207**	1,530,032
Other income	*4*	**17,390**	11,786
Selling and distribution expenses		**(38,948)**	(48,090)
Administrative expenses		**(44,828)**	(48,512)
Other operating expenses		**(50,121)**	(51,365)
Impairment of oil production and exploitation assets	*9*	**(231,573)**	-
Fair value changes on interests in property development		**252,305**	170,201
Profit from operations		**740,432**	1,564,052
Finance costs	*5(a)*	**(69,065)**	(51,808)
Share of profits less losses of joint ventures		**70,442**	111,619
Profit before taxation	*5*	**741,809**	1,623,863
Income tax	*6*	**(31,188)**	(3,198)
Profit for the year		**710,621**	1,620,665
Attributable to:			
– Equity shareholders of the Company		**707,329**	1,618,545
– Non-controlling interests		**3,292**	2,120
Profit for the year		**710,621**	1,620,665
Earnings per share – basic and diluted	*7*	**15.93 HK cents**	36.46 HK cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	HK$'000	*HK$'000*
Profit for the year	**710,621**	1,620,665
Other comprehensive income for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	**594**	-
Share of other comprehensive income of joint ventures	**(24,351)**	-
	(23,757)	-
Total comprehensive income for the year	**686,864**	1,620,665
Attributable to:		
– Equity shareholders of the Company	**683,572**	1,618,545
– Non-controlling interests	**3,292**	2,120
Total comprehensive income for the year	**686,864**	1,620,665

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Note	**2019**	2018
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment	*9*	**166,182**	404,220
Oil exploitation assets	*9*	**6,001**	27,516
Interests in property development	*10*	**10,826,000**	11,149,530
Interest in joint ventures		**2,694,327**	2,519,932
Other financial assets		**161,050**	-
Deferred tax assets		**3,800**	42,227
Goodwill		**16,994**	16,994
		13,874,354	14,160,419
Current assets			
Interests in property development	*10*	**1,447,493**	871,658
Amount due from a related company		**500,000**	1,220,000
Amounts due from joint ventures		**203,121**	197,075
Other financial assets		**15,418**	-
Inventories		**82,443**	85,996
Trade and other receivables	*11*	**213,220**	205,912
Cash and bank balances		**424,214**	292,599
		2,885,909	2,873,240
Current liabilities			
Trade and other payables	*12*	**63,866**	75,411
Bank loans		**78,500**	73,500
Current taxation		**52,420**	59,979
		194,786	208,890
Net current assets		**2,691,123**	2,664,350
Total assets less current liabilities		**16,565,477**	16,824,769

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*
At 31 December 2019

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current liabilities			
Amount due to immediate holding company		**-**	1,643,453
Amount due to a related company		**1,104,364**	-
Other payables		**17,688**	17,450
Bank loans		**1,418,000**	1,396,500
Deferred tax liabilities		**15,632**	16,083
		2,555,684	3,073,486
NET ASSETS		**14,009,793**	13,751,283
CAPITAL AND RESERVES			
Share capital		**443,897**	443,897
Reserves		**13,552,237**	13,294,806
Total equity attributable to equity shareholders of the Company		**13,996,134**	13,738,703
Non-controlling interests		**13,659**	12,580
TOTAL EQUITY		**14,009,793**	13,751,283

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. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a new 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. 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, provision of cold storage services and financial investments.

Disaggregation of revenue

	2019	2018
	HK$'000	*HK$'000*
Under the scope of HKFRS 15, *Revenue from contracts with customers:*		
Sale of crude oil	**61,342**	74,710
Sale of goods	**78,231**	85,254
Sale of properties	**4,500**	-
Service income	**35,767**	32,890
	179,840	192,854
Revenue from other sources:		
Distributions from interests in property development	**720,000**	1,400,000
Dividend income from equity investments	**519**	-
Interest income from debt investments	**6,518**	-
	906,877	1,592,854

(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 four (2018: three) 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"), manufacturing of ice and provision of cold storage and related services ("Ice and cold storage") and financial investments on equity and debt securities ("Financial investments").

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 less losses 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 ventures, 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.

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 year is set out below.

	Properties *HK$'000*	Oil *HK$'000*	Ice and cold storage *HK$'000*	Financial investments *HK$'000*	2019 Total *HK$'000*
Revenue	**724,500**	**61,539**	**113,801**	**7,037**	**906,877**
Reportable segment result	**734,127**	**(257,459)**	**25,243**	**7,615**	**509,526**
Fair value changes on interests in property development	**252,305**	**-**	**-**	**-**	**252,305**
Head office and corporate expenses					**(21,399)**
Profit from operations					**740,432**
Finance costs					**(69,065)**
Share of profits less losses of joint ventures	**70,442**	**-**	**-**	**-**	**70,442**
Profit before taxation					**741,809**
Reportable segment assets	**13,012,764**	**95,051**	**135,805**	**177,147**	**13,420,767**
Interest in and amounts due from joint ventures	**2,897,448**	**-**	**-**	**-**	**2,897,448**
Deferred tax assets					**3,800**
Head office and corporate assets					**438,248**
					16,760,263
Capital expenditure incurred	**-**	**68**	**2,643**	**-**	**2,711**
Depreciation and amortisation	**-**	**24,157**	**6,192**	**-**	**30,349**
Impairment of oil production and exploitation assets	**-**	**231,573**	**-**	**-**	**231,573**

During the year ended 31 December 2019, the Group had recognised distributions from interests in property development of HK$720,000,000 as revenue under the "Properties" segment, which exceeded 10% of the Group's revenue.

3. REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

	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 distributions 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. REVENUE AND SEGMENT REPORTING *(continued)*

(b) 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 assets 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**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The People's Republic of China	**845,338**	1,517,801	**2,816,798**	2,645,955
Kazakhstan	**61,539**	75,053	**66,706**	322,707
	906,877	1,592,854	**2,883,504**	2,968,662

In addition to the above non-current assets, the Group has interests in property development of HK$10,826,000,000 (2018: HK$11,149,530,000) in the People's Republic of China.

4. OTHER INCOME

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

	2019	2018
	HK$'000	*HK$'000*
Rental income from properties held for sale	**9,101**	8,372
Bank and other interest income	**6,560**	384
Others	**1,729**	3,030
	17,390	11,786

5. PROFIT BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
(a) Finance costs		
Interest expense on		
– Bank loans	**44,596**	35,371
– Amount due to immediate holding company	**10,965**	15,441
– Amounts due to related companies	**12,646**	-
	68,207	50,812
Other finance costs	**858**	996
	69,065	51,808
(b) Staff costs		
Staff costs (excluding directors' remuneration)#:		
Wages and salaries	**53,745**	54,486
Contributions to retirement benefit scheme	**1,677**	1,665
	55,422	56,151
(c) Other items		
Depreciation of property, plant and equipment#	**29,657**	24,666
Amortisation of oil exploitation assets#	**692**	659
Lease payments in respect of land and buildings	**1,824**	1,745
Auditor's remuneration	**2,009**	2,243
Exchange (gain)/loss	**(354)**	3,779
Loss/(gain) on disposal of property, plant and equipment	**23**	(57)
Share of taxation of joint ventures (included in share of profits less losses of joint ventures)	**8,589**	13,859

Cost of sales includes HK$28,341,000 (2018: HK$22,109,000) 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:

	2019	2018
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax	**2,105**	1,918
– Income tax outside Hong Kong	**1,571**	2,069
– Over-provision in respect of prior years	**(10,464)**	(48)
	(6,788)	3,939
Deferred tax	**37,976**	(741)
	31,188	3,198

The provision for Hong Kong Profits Tax for 2019 is calculated at 16.5% (2018: 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 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$707,329,000 (2018: HK$1,618,545,000) and 4,438,967,838 ordinary shares (2018: 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 2019 and 2018.

8. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK$0.013 (2018: HK$0.012) per share	**57,707**	53,268
Final dividend proposed after the end of the reporting period of HK$0.060 (2018: HK$0.083) per share	**266,338**	368,434
	324,045	421,702

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 2019, the Group had oil production assets of HK$60,705,000 (2018: HK$295,191,000) (included in property, plant and equipment) and oil exploitation assets of HK$6,001,000 (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 allowing flaring of associated gas necessary for conducting normal crude oil production in the South Alibek Oilfield of Caspi Neft TME, a wholly-owned subsidiary of the Company in Kazakhstan expired on 31 December 2018. During the year, gas flaring permits were not renewed for certain months and the Group could only maintain a minimum (i.e. below normal) production level during that period. By the end of 2019, as the pipes to the gas processing plant for processing the associated gas were completely built by Caspi Neft TME, the historic issue regarding the treatment and utilisation of associated gas had been solved permanently. As a result, the gas flaring permit for the year ending 31 December 2020 was obtained and the Group considers that the gas flaring permit will be successfully renewed yearly in future.

As at 31 December 2019, management reassessed the operation and the risk exposures of the Group's oil exploration and production business as a whole and whether the carrying values of the oil production and exploitation assets exceeded the estimated recoverable amounts. 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% (2018: 12.5%). Based on the assessment, the carrying values of the oil production and exploitation assets exceeded their recoverable amounts by HK$231,573,000 as at 31 December 2019 in view of various factors of prevailing market and development conditions such as the declining crude oil price forecast; possible higher capital expenditure to be incurred due to the added complexity and technical specification of future well drilling; and the consequential revision of the development plan adopted by the Group. Accordingly, impairment losses for oil production assets and oil exploitation assets amounting to HK$210,731,000 and HK$20,842,000 respectively, are provided and recognised as a separate line item in the Group's consolidated income statement. Whereas the estimated recoverable amounts of the oil production and exploitation assets exceeded their carrying values as at 31 December 2018, therefore, no further impairment loss was considered necessary for the year ended 31 December 2018.

10. INTERESTS IN PROPERTY DEVELOPMENT

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**12,021,188**	11,850,987
Distributions	**(720,000)**	(1,400,000)
Changes in fair value recognised in profit or loss	**972,305**	1,570,201
Net changes in fair value	**252,305**	170,201
At 31 December	**12,273,493**	12,021,188
Representing:		
Non-current	**10,826,000**	11,149,530
Current	**1,447,493**	871,658
	12,273,493	12,021,188

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"). 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.

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 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 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.

On 23 May 2018, the Tribunal de Ultima lnstancia (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 31 December 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.

10. INTERESTS IN PROPERTY DEVELOPMENT *(continued)*

During the year ended 31 December 2019, pursuant to one of the co-investment agreements, distributions of HK$720,000,000 (2018: HK$1,400,000,000) were 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 from the distributions during the year ended 31 December 2019 amounted to HK$720,000,000 (2018: HK$1,400,000,000).

As at 31 December 2019, out of the interests in property development, an amount of HK$1,447,493,000 (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:

	2019	2018
	HK$'000	*HK$'000*
Current	**17,691**	10,227
Within 3 months	**2,770**	7,424
More than 3 months	**55**	16
Trade receivables	**20,516**	17,667
Other receivables	**192,704**	188,245
	213,220	205,912

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. The proposed acquisition was terminated in January 2020 and the deposit was refunded to the Group accordingly.

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:

	2019	2018
	HK$'000	*HK$'000*
Current	**600**	386
Within 3 months	**29**	39
More than 3 months	**3**	3
Trade payables	**632**	428
Other payables		
– Government fees and levies	**2,722**	4,594
– Others	**60,512**	70,389
	63,234	74,983
	63,866	75,411

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 2019, the Group maintained a balance of cash and bank of HK$424.2 million (2018: HK$292.6 million), which was mainly denominated in Hong Kong dollars and Renminbi. The Group maintained a robust current ratio of 14.8 times (2018: 13.8 times).

As at 31 December 2019, the Group had bank borrowings of HK$1,496.5 million (2018: HK$1,470.0 million), with HK$78.5 million being repayable within one year, HK$1,328.0 million being repayable after one year but within two years and HK$90.0 million being repayable after two years but within five years. As at 31 December 2019, the amount due to a related company and immediate holding company were HK$1,104.4 million (2018: HK$ Nil) and HK$ Nil (2018: HK$1,643.5 million) 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$1,896.5 million (2018: HK$1,470.0 million), of which 79% were utilised as at 31 December 2019 (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 31 December 2019, total equity attributable to equity shareholders of the Company amounted to HK$13,996.1 million (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 a related company/immediate holding 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 12.0% as at 31 December 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 31 December 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 31 December 2019, the Group had capital commitments contracted but not provided for in the amount of HK$1.6 million (2018: HK$1.2 million).

CHARGES ON ASSETS

As at 31 December 2019, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK$99.7 million (2018: HK$103.4 million) and HK$1,711 million (2018: HK$1,778 million) respectively, were pledged to secure the banking facilities of the Group.

CONTINGENT LIABILITIES

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

HUMAN RESOURCES

As at 31 December 2019, the total number of employees of the Group was about 230 (2018: 260). Staff costs (excluding directors' emoluments) during the year totalled HK$55,422,000 (2018: HK$56,151,000). 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, Certified Public Accountants, the consolidated financial statements of the Group for the year ended 31 December 2019 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 2019 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 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 year ended 31 December 2019.

2020 ANNUAL GENERAL MEETING

The 2020 Annual General Meeting of the Company will be held on Wednesday, 10 June 2020 and the Notice of 2020 Annual General Meeting will be published and dispatched to shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders who entitle to attend and vote at the 2020 Annual General Meeting, the Register of Members of the Company will be closed from Friday, 5 June 2020 to Wednesday, 10 June 2020, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Thursday, 4 June 2020.

For the purpose of determining shareholders who qualify for the proposed final dividend, the Register of Members of the Company will be closed from Wednesday, 17 June 2020 to Thursday, 18 June 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Tuesday, 16 June 2020.

PUBLICATION OF ANNUAL REPORT

The 2019 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, 25 March 2020

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*