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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)**

### **2020 ANNUAL RESULTS ANNOUNCEMENT**

#### **HIGHLIGHTS**

- The Group's net profit attributable to equity shareholders of the Company for the year ended 31 December 2020 fell to HK\$429 million from HK\$707 million in 2019, a decrease of 39%.
- Excluding revaluation changes 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 2020 rose to HK\$521 million from HK\$447 million in 2019, an increase of 17%. The underlying net earnings per share for 2020 was 11.73 HK cents compared to 10.07 HK cents in 2019.
- The Board of Directors recommended not to declare a final dividend (2019: 6.00 HK cents). The dividend per share for 2020 amounted to 1.40 HK cents (2019: 7.30 HK cents).

#### **GROUP RESULTS AND DIVIDENDS**

For the year ended 31 December 2020, the net profit attributable to equity shareholders of the Company and its subsidiaries (collectively the "Group") fell to HK\$429 million from HK\$707 million in 2019, a decrease of 39%. The earnings per share for 2020 amounted to 9.66 HK cents compared to 15.93 HK cents in 2019.

Excluding revaluation changes 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 2020 rose to HK\$521 million from HK\$447 million in 2019, an increase of 17%. The underlying net earnings per share for 2020 was 11.73 HK cents compared to 10.07 HK cents in 2019.

The Board of Directors recommended not to declare a final dividend for 2020 (2019: 6.00 HK cents). The dividend per share for 2020 amounted to 1.40 HK cents (2019: 7.30 HK cents).

## **BUSINESS REVIEW**

Excluding revaluation changes 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 the year under review rose to HK\$521 million from HK\$447 million in 2019, an increase of 17%.

### **Property Development**

#### *Macau*

In respect of the La Marina development project, the Group received net income distributions of HK\$500 million for its interest in this development project for the year ended 31 December 2020.

Regarding the Pearl Horizon development project, a civil claim was filed by Polytec Corporation Limited ("PCL") to the Court of Macau on 29 November 2018 to seek compensations from the Macau Government for related losses and damages. In response to the unfavorable judgment issued by the Administrative Court in Macau dated 30 March 2020, PCL submitted a petition for appeal to the Court of Second Instance in Macau on 29 May 2020. However, PCL decided to withdraw such petition and therefore it submitted an application for the withdrawal to the Court on 11 September 2020. The application was accepted by the Court and the civil claim was terminated.

As the Pearl Horizon development project failed to comply with the co-investment agreement, Polytec Holdings International Limited, a related company of the Group, has given its written consent pursuant to the co-investment agreement to make a guarantee payment of HK\$8,409 million (the "Guarantee Payment") plus interest to be charged at a prevailing market rate per annum to the Group in three instalments, that is, the proportion of 20%, 40% and 40% of the Guarantee Payment plus all interest accrued up to each year end day in cash by the end of 2021, 2022 and 2023 respectively.

#### *Mainland China*

In regards to the Zhongshan property development project, site drainage work has completed. The overall planning and design for the project is well underway.

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

## **Property Investment**

For the year ended 31 December 2020, the Group's share of gross rental income generated from the joint venture's investment properties fell slightly to approximately HK\$83 million, a decrease of 1.2% over 2019. 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 amounting to HK\$76.8 million in 2020 as compared to HK\$77.4 million in 2019.

## **Oil**

The oil segment recorded a loss after tax of HK\$71.7 million for the year ended 31 December 2020 compared to a loss of HK\$285.4 million in 2019. Excluding the impairment loss of HK\$63.2 million (2019: HK\$270 million) with the change in its related tax being included, and the combined depreciation and amortization of HK\$9.8 million (2019: HK\$24.2 million), the operating profit amounted to HK\$1.3 million for the year under review (2019: HK\$8.8 million). For the year under review, the remaining net book value of the oil assets in Kazakhstan was fully written off and consequently the oil business would no longer materially affect the overall performance of the Group's results in the future. The Group intends to terminate the operation in due course.

## **Ice Manufacturing and Cold Storage**

Excluding the subsidy from the Hong Kong SAR Government for the anti-epidemic purpose, the operating profit for the ice manufacturing and cold storage segment amounted to HK\$26.7 million in 2020, an increase of 6% over 2019.

## **Financial Investment**

The net income generated from financial investment activities amounted to HK\$58 million for the year ended 31 December 2020 (2019: HK\$7.6 million), which was mainly the interest income generated from its fixed income investment portfolio.

## PROSPECTS

The Group has been focusing on the property development in Macau since the change of the Management in 2004. However, following completion of the La Marina development project in 2017, the Company has currently no property development projects in the pipeline in Macau despite numerous attempts to explore good investment opportunities. As stated in the announcement of the Company dated 21 January 2021, the controlling shareholder of the Company proposed to privatise the Company by way of a scheme of arrangement involving the cancellation of all issued shares with the payment of HK\$1.50 per share to the shareholders. The Company has not conducted any equity fund-raising activity over the past 14 years and it is not expected to do so in the foreseeable future. With significant administrative, compliance and other listing-related costs involved, there are no meaningful benefits for the Company to remain listed. For the shareholders of the Company, the proposal is intended to provide them an opportunity to cash out their entire investment in the Company at a substantial premium over market prices of the shares without having to suffer any illiquidity discount.

Looking ahead to 2021, it is expected that the rental income generated from the Group's investment properties in Macau will remain stable as the outbreak of the coronavirus is seen to be largely under control. The income to be received from the Group's interests in the La Marina development project in Macau will continue to make a contribution to the Group's results this year. In regards to the Group's ice manufacturing and cold storage business, the performance will likely remain steady. The Group's financial investment portfolio, which focuses on appealing fixed income investment, is expected to generate stable income for the Group.

Finally, I would like to express my sincere gratitude to the shareholders for their continuous support, my fellow directors for their strategic planning and the dedication of all the staff of the Group.

## CONSOLIDATED RESULTS

The consolidated results of the Group for the year ended 31 December 2020 together with the comparative figures of 2019 are as follows:

### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Revenue</b>	3	<b>718,475</b>	906,877
Cost of sales		<u>(48,111)</u>	<u>(70,670)</u>
<b>Gross profit</b>		<b>670,364</b>	836,207
Other net income	4	<b>43,109</b>	17,390
Selling and distribution expenses		<b>(26,027)</b>	(38,948)
Administrative expenses		<b>(37,644)</b>	(44,828)
Other operating expenses		<b>(51,525)</b>	(50,121)
Impairment of oil production and exploitation assets	9	<b>(59,463)</b>	(231,573)
Fair value changes on interests in property development		<u>(50,642)</u>	<u>252,305</u>
<b>Profit from operations</b>		<b>488,172</b>	740,432
Finance costs	5(a)	<b>(48,209)</b>	(69,065)
Share of profits less losses of joint ventures		<u>(1,819)</u>	<u>70,442</u>
<b>Profit before taxation</b>	5	<b>438,144</b>	741,809
Income tax	6	<u>(6,535)</u>	<u>(31,188)</u>
<b>Profit for the year</b>		<b><u>431,609</u></b>	<b><u>710,621</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>428,968</b>	707,329
Non-controlling interests		<u>2,641</u>	<u>3,292</u>
<b>Profit for the year</b>		<b><u>431,609</u></b>	<b><u>710,621</u></b>
<b>Earnings per share – basic and diluted</b>	7	<b><u>9.66 HK cents</u></b>	<b><u>15.93 HK cents</u></b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Profit for the year</b>	<b>431,609</b>	710,621
<b>Other comprehensive income for the year</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of subsidiaries outside Hong Kong	<b>(6,203)</b>	594
Share of other comprehensive income of joint ventures	<u><b>81,227</b></u>	<u>(24,351)</u>
	<u><b>75,024</b></u>	<u>(23,757)</u>
<b>Total comprehensive income for the year</b>	<u><b>506,633</b></u>	<u>686,864</u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>503,992</b>	683,572
Non-controlling interests	<u><b>2,641</b></u>	<u>3,292</u>
<b>Total comprehensive income for the year</b>	<u><b>506,633</b></u>	<u>686,864</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK\$'000	2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	9	102,818	166,182
Oil exploitation assets	9	-	6,001
Interests in property development	10	8,293,388	10,826,000
Interest in joint ventures		2,704,624	2,694,327
Other financial assets		403,433	161,050
Deposits for property, plant and equipment	11	4,028	-
Deferred tax assets		-	3,800
Goodwill		16,994	16,994
		<u>11,525,285</u>	<u>13,874,354</u>
<b>Current assets</b>			
Interests in property development	10	3,929,463	1,447,493
Amount due from a related company		220,000	500,000
Amounts due from joint ventures		250,532	203,121
Other financial assets		64,408	15,418
Inventories		85,532	82,443
Trade and other receivables	11	42,610	213,220
Cash and bank balances		145,971	424,214
		<u>4,738,516</u>	<u>2,885,909</u>
<b>Current liabilities</b>			
Trade and other payables	12	53,285	63,866
Bank loans		1,348,000	78,500
Current taxation		51,115	52,420
		<u>1,452,400</u>	<u>194,786</u>
<b>Net current assets</b>		<u>3,286,116</u>	<u>2,691,123</u>
<b>Total assets less current liabilities</b>		<u>14,811,401</u>	<u>16,565,477</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION** *(continued)**At 31 December 2020*

	<i>Note</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
<b>Non-current liabilities</b>			
Amount due to a related company		<b>124,236</b>	1,104,364
Other payables		<b>16,913</b>	17,688
Bank loans		<b>470,000</b>	1,418,000
Deferred tax liabilities		<b>15,260</b>	15,632
		<u><b>626,409</b></u>	<u>2,555,684</u>
<b>NET ASSETS</b>		<u><b>14,184,992</b></u>	<u>14,009,793</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>443,897</b>	443,897
Reserves		<b>13,727,745</b>	13,552,237
<b>Total equity attributable to equity shareholders of the Company</b>		<b>14,171,642</b>	13,996,134
<b>Non-controlling interests</b>		<u><b>13,350</b></u>	<u>13,659</u>
<b>TOTAL EQUITY</b>		<u><b>14,184,992</b></u>	<u>14,009,793</u>



Notes:

## 1. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“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 amendments to 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 certain amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has 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.

## 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

	2020 HK\$’000	2019 HK\$’000
<b>Under the scope of HKFRS 15, Revenue from contracts with customers:</b>		
Sale of crude oil	33,165	61,342
Sale of goods	81,260	78,231
Sale of properties	280	4,500
Service income	35,256	35,767
	149,961	179,840
<b>Revenue from other sources:</b>		
Distributions from interests in property development	500,000	720,000
Dividend income from equity investments	819	519
Interest income from debt investments	67,695	6,518
	718,475	906,877

**(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 (2019: 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"), manufacturing of ice and provision of cold storage and related services ("Ice and cold storage") and investments in 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 <i>HK\$'000</i>	Oil <i>HK\$'000</i>	Ice and cold storage <i>HK\$'000</i>	Financial investments <i>HK\$'000</i>	2020 Total <i>HK\$'000</i>
Revenue	<u>500,280</u>	<u>33,550</u>	<u>116,131</u>	<u>68,514</u>	<u>718,475</u>
Reportable segment result	535,915	(67,947)	33,666	57,985	559,619
Fair value changes on interests in property development	(50,642)	-	-	-	(50,642)
Head office and corporate expenses					<u>(20,805)</u>
Profit from operations					488,172
Finance costs					(48,209)
Share of profits less losses of joint ventures	(1,819)	-	-	-	<u>(1,819)</u>
Profit before taxation					<u>438,144</u>
Reportable segment assets	12,520,593	24,013	143,113	467,918	13,155,637
Interest in and amounts due from joint ventures	2,955,156	-	-	-	2,955,156
Head office and corporate assets					<u>153,008</u>
					<u>16,263,801</u>
Capital expenditure incurred	-	2,537	7,141	-	9,678
Depreciation and amortisation	-	9,766	5,766	-	15,532
Impairment of oil production and exploitation assets	<u>-</u>	<u>59,463</u>	<u>-</u>	<u>-</u>	<u>59,463</u>

During the year ended 31 December 2020, the Group had recognised distributions 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. REVENUE AND SEGMENT REPORTING (continued)

#### (b) Segment reporting (continued)

	Properties HK\$'000	Oil HK\$'000	Ice and cold storage HK\$'000	Financial investments HK\$'000	2019 Total HK\$'000
Revenue	<u>724,500</u>	<u>61,539</u>	<u>113,801</u>	<u>7,037</u>	<u>906,877</u>
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					<u>(21,399)</u>
Profit from operations					740,432
Finance costs					(69,065)
Share of profits less losses of joint ventures	70,442	-	-	-	<u>70,442</u>
Profit before taxation					<u>741,809</u>
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					<u>438,248</u>
					<u>16,760,263</u>
Capital expenditure incurred	-	68	2,643	-	2,711
Depreciation and amortisation	-	24,157	6,192	-	30,349
Impairment of oil production and exploitation assets	<u>-</u>	<u>231,573</u>	<u>-</u>	<u>-</u>	<u>231,573</u>

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)

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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The People's Republic of China	<b>684,925</b>	845,338	<b>2,824,436</b>	2,816,798
Kazakhstan	<b>33,550</b>	61,539	-	66,706
	<b>718,475</b>	906,877	<b>2,824,436</b>	2,883,504

In addition to the above non-current assets, the Group has interests in property development of HK\$8,293,388,000 (2019: HK\$10,826,000,000) in the People's Republic of China.

### 4. OTHER NET INCOME

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

	2020	2019
	HK\$'000	HK\$'000
Rental income from properties held for sale	<b>9,507</b>	9,101
Bank and other interest income	<b>34,290</b>	6,560
Government grants (note)	<b>7,100</b>	-
Fair value changes on equity investments	<b>(2,023)</b>	(175)
Provision for loss allowance of debt investments	<b>(7,643)</b>	-
Others	<b>1,878</b>	1,904
	<b>43,109</b>	17,390

Note: In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Special Administrative Region Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

## 5. PROFIT BEFORE TAXATION

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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>(a) Finance costs</b>		
Interest expense on		
– Bank loans	40,793	44,596
– Amounts due to related companies	4,555	12,646
– Amounts due to fellow subsidiaries	2,001	10,965
	<u>47,349</u>	<u>68,207</u>
Other finance costs	860	858
	<u>48,209</u>	<u>69,065</u>
<b>(b) Staff costs</b>		
Staff costs (excluding directors' remuneration) <sup>#</sup> :		
Wages and salaries	51,149	53,745
Contributions to retirement benefit scheme	1,569	1,677
	<u>52,718</u>	<u>55,422</u>
<b>(c) Other items</b>		
Depreciation of property, plant and equipment <sup>#</sup>	14,780	29,657
Amortisation of oil exploitation assets <sup>#</sup>	752	692
Lease payments in respect of land and buildings	1,494	1,824
Auditor's remuneration	2,174	2,009
Exchange loss/(gain)	385	(354)
Loss on disposal of property, plant and equipment	15	23
	<u>15</u>	<u>23</u>

<sup>#</sup> Cost of sales includes HK\$13,627,000 (2019: HK\$28,341,000) 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Current tax</b>		
– Hong Kong Profits Tax	2,476	2,105
– Income tax outside Hong Kong	849	1,571
– Over-provision in respect of prior years	(218)	(10,464)
	<u>3,107</u>	<u>(6,788)</u>
<b>Deferred tax</b>	3,428	37,976
	<u>6,535</u>	<u>31,188</u>

The provision for Hong Kong Profits Tax for 2020 is calculated at 16.5% (2019: 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\$428,968,000 (2019: HK\$707,329,000) and 4,438,967,838 ordinary shares (2019: 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 2020 and 2019.

## 8. DIVIDENDS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Interim dividend declared and paid of HK\$0.014 (2019: HK\$0.013) per share	<b>62,146</b>	57,707
Final dividend proposed after the end of the reporting period of HK\$Nil (2019: HK\$0.060) per share	-	266,338
	<b><u>62,146</u></b>	<b><u>324,045</u></b>

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

## 9. OIL PRODUCTION AND EXPLOITATION ASSETS

During the year ended 31 December 2020, the oil production assets (included in property, plant and equipment) and oil exploitation assets were fully depreciated and impaired (2019: net book values of HK\$60,705,000 and HK\$6,001,000 respectively). Oil production assets and oil exploitation assets are stated at cost less accumulated depreciation/amortisation and impairment losses.

Oil production and exploitation assets were reviewed for possible impairment when events or changes in circumstances indicate that the carrying amounts may exceed the recoverable amounts, which are considered to be the higher of the fair value less costs of disposal and value in use. A discounted cash flow model was adopted consistently as previous years which was prepared by the experienced technical and professional team of the Group and reviewed by the Directors of the Company although no independent valuation report was produced. Discounted cash flow model is a commonly used valuation method for oil companies worldwide to determine the recoverable amount of the oil production and exploitation assets during the oil production stage. Under the discounted cash flow model, the recoverable amount of oil production and exploitation assets is determined based on the present value of estimated future cash flows arising from the continued use of the assets. Cash flows are discounted to their present value using a discount rate that reflects the time value of money and the risks specific to the assets. Determination as to whether and how much an asset is impaired involves management judgements in estimating future crude oil prices, the discount rate used in discounting the projected cash flows and the production profile, etc. The impairment reviews and calculations were based on assumptions that were consistent with the Group's business plan and that all relevant licences and permits were obtained. However, the business environment including the crude oil price was affected by a wide range of global and domestic factors which were all beyond the control of the Group. Any adverse changes in the key assumptions could increase the impairment provision.



## 9. OIL PRODUCTION AND EXPLOITATION ASSETS *(continued)*

During the year ended 31 December 2020, 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 at disposal date. 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% (2019: 12.5%) consistently adopted by the Group, which was within the normal range of the discount rates commonly used in the discounted cash flow models by the oil companies in Kazakhstan. Based on the assessment made during the year, the carrying values of the oil production and exploitation assets exceeded their recoverable amounts by HK\$59,463,000 (2019: HK\$231,573,000) which was mainly due to the declining crude oil price forecast. The forecast future crude oil prices at 31 December 2020 obtained from the Oil Price Forecast of Bloomberg, an independent and internationally reliable source, were found to have dropped as compared to those at 31 December 2019 (2020: USD50.01 – USD68.65 per barrel; 2019: USD61.79 – USD74.01 per barrel). In this regard, the future revenue and cash inflow generated therefrom would be decreased and hence the net present value of the estimated future cash flows arising from the oil production and exploitation assets would be lowered which would adversely affect the recoverable amount in the discounted cash flow model accordingly. Other than the forecast future crude oil prices, other key assumptions such as the future capital expenditure to be incurred and the development plan had not been materially changed in the model as compared to those as at 31 December 2019.

Accordingly, impairment losses for oil production assets and oil exploitation assets amounting to HK\$54,214,000 (2019: HK\$210,731,000) and HK\$5,249,000 (2019: HK\$20,842,000) respectively, are provided and recognised as a separate line item in the Group's consolidated income statement.

Crude oil price assumptions were based on market expectations. At 31 December 2020, it is estimated that an increase/decrease of 20% (2019: 20%) in the estimated crude oil price used in the assessment, with all other variables held constant would have increased/decreased the carrying amounts of the oil production and exploitation assets by HK\$20,186,000/HK\$Nil (2019: HK\$127,200,000/HK\$66,706,000). The discount rate used represents the rate to reflect the time value of money and the risks specific to the assets. It is estimated that an increase/decrease of 200 basis points (2019: 200 basis points) in the discount rate used in the assessment, with all other variables held constant would have no effect on the carrying amounts of the oil production and exploitation assets (2019: decreased by HK\$7,546,000/ increased by HK\$8,822,000).

## 10. INTERESTS IN PROPERTY DEVELOPMENT

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
At 1 January	12,273,493	12,021,188
Distributions	(500,000)	(720,000)
Changes in fair value recognised in profit or loss	449,358	972,305
Net changes in fair value	(50,642)	252,305
At 31 December	<u>12,222,851</u>	<u>12,273,493</u>
Representing:		
Non-current assets	8,293,388	10,826,000
Current assets	<u>3,929,463</u>	<u>1,447,493</u>
	<u>12,222,851</u>	<u>12,273,493</u>

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 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 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 was 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.

On 29 November 2018, a civil claim against the Macau SAR Government to seek compensation for losses and damage on the development project at Lote P was filed by PCL. Nevertheless, an unfavourable judgement was issued by the Tribunal Administrativo (the Administrative Court) in Macau on 30 March 2020.

With regard to this, a petition for appeal (the “Appeal”) was submitted to the Court of Second Instance in Macau by PCL on 29 May 2020. On 11 September 2020, an application to withdraw the Appeal was submitted by PCL and the acceptance of it was confirmed by the Court soon afterwards. As a result the aforesaid civil claim was terminated. Such termination will not have any adverse impact on the financial position of the Group as Polytec Holdings will indemnify the Group in respect of the loss suffered pursuant to the co-investment agreement for the development of the project. In this respect, it has been agreed by Polytec Holdings with the Group that a guarantee payment amounted to HK\$8,409 million plus interest charged at a prevailing market rate per annum will be made to the Group by three yearly instalments, in which 20%, 40% and 40% of the guarantee payment plus all interest accrued up to each year end date, will be settled by the end of the three consecutive years respectively starting from 2021.

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 year ended 31 December 2020, pursuant to one of the co-investment agreements, distributions of HK\$500,000,000 (2019: HK\$720,000,000) 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 2020 amounted to HK\$500,000,000 (2019: HK\$720,000,000).

As at 31 December 2020, out of the interests in property development, an amount of HK\$3,929,463,000 (2019: HK\$1,447,493,000) 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:

	<b>2020</b>	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current	<b>12,553</b>	17,691
Within 3 months	<b>7,584</b>	2,770
More than 3 months	<b>23</b>	55
	<hr/>	<hr/>
Trade receivables	<b>20,160</b>	20,516
Deposits for property, plant and equipment	<b>4,028</b>	-
Other receivables	<b>22,450</b>	192,704
	<hr/>	<hr/>
	<b>46,638</b>	213,220
	<hr/>	<hr/>
Representing:		
Non-current assets	<b>4,028</b>	-
Current assets	<b>42,610</b>	213,220
	<hr/>	<hr/>
	<b>46,638</b>	213,220
	<hr/>	<hr/>

As at 31 December 2019, 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. 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:

	<b>2020</b> <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current	<b>716</b>	600
Within 3 months	<b>419</b>	29
More than 3 months	<b>3</b>	3
	<hr/>	<hr/>
Trade payables	<b>1,138</b>	632
	<hr/>	<hr/>
Other payables		
– Government fees and levies	<b>2,003</b>	2,722
– Others	<b>50,144</b>	60,512
	<hr/>	<hr/>
	<b>52,147</b>	63,234
	<hr/>	<hr/>
	<b>53,285</b>	63,866
	<hr/>	<hr/>

## **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 2020, the Group maintained a balance of cash and bank of HK\$146.0 million (2019: HK\$424.2 million), which was mainly denominated in Hong Kong dollars and Renminbi. The Group maintained a robust current ratio of 3.3 times (2019: 14.8 times).

As at 31 December 2020, the Group had bank borrowings of HK\$1,818.0 million (2019: HK\$1,496.5 million), with HK\$1,348.0 million being repayable within one year and HK\$470.0 million being repayable after one year but within two years. As at 31 December 2020, the amount due to a related company was HK\$124.2 million (2019: HK\$1,104.4 million). The amount 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\$1,818.0 million (2019: HK\$1,896.5 million), which were fully utilised as at 31 December 2020 (2019: 79% 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 2020, total equity attributable to equity shareholders of the Company amounted to HK\$14,171.6 million (2019: HK\$13,996.1 million). The Group's gearing ratio, expressed as a percentage of total borrowings (including bank borrowings and amount due to 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, decreased from 12.0% as at 31 December 2019 to 11.1% as at 31 December 2020.

### **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 2020, 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 2020, the Group had capital commitments contracted but not provided for in the amount of HK\$2.9 million (2019: HK\$1.6 million).

## **FINANCIAL REVIEW** *(continued)*

### **CHARGES ON ASSETS**

As at 31 December 2020, certain assets of the Group and the joint venture, with aggregate net book values of approximately HK\$96.1 million (2019: HK\$99.7 million) and HK\$1,660.0 million (2019: HK\$1,711.0 million) respectively, were pledged to secure the banking facilities of the Group.

### **CONTINGENT LIABILITIES**

As at 31 December 2020, the Group did not have any significant contingent liabilities (2019: Nil).

## **HUMAN RESOURCES**

As at 31 December 2020, the total number of employees of the Group was about 220 (2019: 230). Staff costs (excluding directors' emoluments) during the year totalled HK\$52,718,000 (2019: HK\$55,422,000). 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 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 2020 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 statement of financial position, consolidated income statement and consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2020 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 2020.

### **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 2020.

### **2021 ANNUAL GENERAL MEETING**

The 2021 Annual General Meeting of the Company will be held on Tuesday, 29 June 2021 and the Notice of 2021 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 2021 Annual General Meeting, the Register of Members of the Company will be closed from Thursday, 24 June 2021 to Tuesday, 29 June 2021, both dates inclusive, during which period no transfer of shares will be effected. In order to be eligible to attend and vote at the 2021 Annual General Meeting, all the transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 pm on Wednesday, 23 June 2021.

## **PUBLICATION OF ANNUAL REPORT**

The 2020 Annual Report containing all the information as required by the Listing Rules will be published on the Company's website at [www.polytecasset.com](http://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, 31 March 2021

*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*